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ENERGY AND THE AGED: STRATEGIES FOR IMPROVING THE FEDERAL WEATHERIZATION PROGRAM

HEARING

BEFORE THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

WASHINGTON, DC

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ENERGY AND THE AGED: STRATEGIES FOR IMPROVING THE FEDERAL WEATHERIZATION PROGRAM

FRIDAY, MARCH 2, 1984

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, DC.

The committee met, pursuant to notice, at 10:12 a.m., in room 628, Dirksen Senate Office Building, Hon. David Pryor, presiding.

Present: Senators Pryor, Pressler, Grassley, Warner, Chiles, and Burdick.

Also present: John C. Rother, staff director and chief counsel; Michael Rodgers, professional staff member; Isabelle Claxton, communications director; Eileen Bradner, minority professional staff member, Robin L. Kropf, chief clerk; and Paula Dietz, Kate Latta, Leslie Malone, and Cindy DeAngelus, staff assistants.

OPENING STATEMENT BY SENATOR DAVID PRYOR, PRESIDING

Senator PRYOR. Ladies and gentlemen, the hearing will come to order.

As you might notice, I am not Senator Heinz. I am Senator Pryor, from Arkansas, and Senator Heinz has asked me if I would preside over the hearing this morning. He has been called out of the city, unavoidably, and he will not be present with us this morning. We do have a very distinguished group of witnesses, three separate panels. We have with us Senator Quentin Burdick of North Dakota this morning.

I am going to make a very short opening statement and then ask that Senator Heinz' statement that he would have read be made a part of the record.

We are pleased to be here as the Senate Special Committee on Aging meets once again to examine the Weatherization Program for low-income households, and to focus specifically on the program's importance to our Nation's elderly. I would like to thank Senator Heinz, our chairman, for asking me to preside over today's hearings on this very important issue.

As a background matter, in 1976, the Congress enacted legislation which established the Weatherization Program to assist low-income and elderly households in upgrading the energy efficiency of their homes. This program and the Low-Income Energy Assistance Program are the major Federal efforts through which literally hundreds of thousands of American households have been helped through the years in dealing with the high cost of energy.

It is my belief that the Weatherization Program in particular is of great importance to the elderly. Through this program, persons below 125 percent of the poverty level are eligible for assistance up to $1,000 per unit for installation of insulation, storm windows and doors, and other improvements. Weatherization of a home pays off in several ways. It improves the energy efficiency of a home, thereby creating greater comfort and reducing consumption levels. Improvements made by weatherizing a home are permanent. Savings continue to benefit residents long after their one-time investment. And the reduction in energy consumption results in lessening the need for fuel bill assistance. Beyond helping to reduce energy consumption and the size of energy bills, the Weatherization Program helps to reduce the incidence of hypothermia and heat stroke, two very real health threats to older Americans.

In 1981, the administration requested that the Weatherization Program for the Low-Income Energy Assistance Program be merged to form a single block grant to be divided among the States and administered at each State's discretion. The Congress balked at this proposal. It was thought that the Weatherization Program might suffer through its enactment. In 1983, the administration proposed no funding at all for this program. And once again, the Congress rejected the proposal, and instead appropriated $145 million under the Interior appropriations bill and $100 million under the Emergency Jobs bill, for a total of $245 million. In fiscal year 1984, the Congress appropriated $191 million for this particular program.

In the fiscal year 1985 budget request Congress is today considering, the administration has requested funding at the current level, but has proposed that funds for weatherization be made available from the Petroleum Overcharge Fund. This fund is made up of Department of Energy collections for unlawful overcharges by energy suppliers. This proposal has been the topic of much concern, chiefly because the majority of the $420 million still available as of December 31, 1983, in this fund is the subject of ongoing formal administrative proceedings.

It is very difficult to determine when, if ever, the pending cases will be resolved, and while the administration proposal has stated that any other sums as are needed to make up total program costs are to come from the general revenue fund, many have expressed concern over the procedure which would be used to carry out this proposal. I am hopeful that our administration witnesses today will be able to address these issues.

As I said, the Weatherization Program has been in existence since 1976. We have had several years to compile statistics on the effectiveness of different weatherization improvements. We have found that the conventional means of weatherizing a home are not necessarily the most cost-effective.

For example, the National Bureau of Standards and the Alliance to Save Energy recently conducted a study which found that retrofitting the central heating system is much more effective than many traditional weatherization measures. This procedure alone can save from 22 to 26 percent of fuel costs for oil furnaces. In 1982, an oil furnace retrofit cost about $500 and represented about $314 in annual fuel savings.

Chairman Heinz has introduced legislation, S. 1953, which would reauthorize the Weatherization Program and would expand the methods which are used to weatherize homes to include furnace retrofitting.

I am very anxious to hear our witnesses' testimony today on this legislation, as well as other improvements we might make in this important program.

Once again, I am very pleased that I could be here today to hear our panel of distinguished witnesses, and look forward to your testimony.

First, I will call on Senator Quentin Burdick of North Dakota, on my left, and then Senator Larry Pressler of South Dakota, to give any statements they so desire.

Senator Burdick.

Senator BURDICK. Mr. Chairman, thank you.

In the interest of time, I will put my statement in the record and ask at this time that it be made a part of the record as if read.

Senator PRYOR. You can see why this man has gotten reelected so often. [Laughter.]

[The statement of Senator Burdick follows:]

STATEMENT OF SENATOR QUENTIN BURDICK

Mr. Chairman, I appreciate your holding this hearing today on the Weatherization Program, which was created in reaction to the energy crisis of the early 1970's. Even though the crisis is gone, I think the Weatherization Program still is terribly important. The cost of heating continues to go up. In North Dakota last year, they were up 18 percent. What would happen if we had another crisis? It could easily happen, and I think we would be foolish to let ourselves be lulled into complacency about conservation. These efforts should continue.

As one who has done a good bit of weatherizing in my own home, I can enthusiastically support the concept of weatherization because it really does make a difference.

According to a study conducted recently by the National Bureau of Standards, basic structural weatherization combined with improvements in home heating systems produced average energy savings of 40 percent in my home town of Fargo, N. Dak.

I believe the Weatherization Program is especially valuable when it is operated in conjunction with the fuel assistance program. Otherwise, Federal fuel assistance dollars go right up the chimney. Last year, over 16,000 North Dakota households received fuel assistance. If even half of those homes could be weatherized, we would recognize substantial, permanent savings.

In North Dakota, many of our older citizens live in the small, rural farming communities near where they farmed and raised their families. Most often, they are living in their own homes, which are usually old and have old, outdated furnaces. These are some of the people most in need of weatherization services. However, limited administrative funds put special burdens on those program serving rural areas, most of which include communities 100 miles away within their service area. Outreach is much more difficult, and travel is more expensive. One agency recently reported that they put an average of 25,000 miles a year on their trucks.

These programs want to use as much of their funding as possible for weatherization, but maintenance of vehicles is costly, and outreach, which would bring so many needy people into the program, is a real problem. I would hope that new legislation will take these problems into consideration and include enough flexibility in the law to provide for these rural programs.

Thank you, Mr. Chairman.

Senator PRYOR. Senator Pressler.

STATEMENT BY SENATOR LARRY PRESSLER

Senator PRESSLER. Thank you very much.

The subject of this morning's hearing is very important and timely. The citizens of the northern part of this country are in the midst of one of the coldest winters in history. Both as a member of this committee and as a member of the Commerce Committee, I have been concerned about the high heating bills facing our senior citizens. In many areas of my home State of South Dakota, natural gas prices have risen 50 percent over the past year—and I might add that it is taking place at a time when we have a surplus of natural gas in our country.

Many South Dakota senior citizens have told me that they must use one-half of their income to pay their gas bills. Others have been forced to move out of their homes because they cannot face today's excessive rates.

Action must be taken now.

But that is a subject for another hearing. I have introduced legislation to deal with the high natural gas bills. The Natural Gas Price Reduction Act of 1984 is currently pending before the Energy and Natural Resources Committee.

While we are waiting for legislative changes in our energy policy, those of us on the Aging Committee must address the fact that nearly 50 million senior citizens in this country are forced to pay these high utility bills on fixed incomes. The administration is making a wise decision in proposing continued funding for the Weatherization Program and by establishing a new petroleum overcharge fund to help pay for it. As I understand it, this fund would consist of revenues from existing oil escrow accounts in the Department of Energy and future oil overcharge litigation settlements. This is a sensible move. The installation of insulation, storm windows and doors, and new technology, such as gas furnace retrofits, will offer our senior citizens in low-income households excellent conservation results.

Weatherization was designed to help those households that lack the cash or credit to respond to the current incentives for conservation. This important program, which has improved energy efficiency, must be continued. We must get a message to our elderly citizens that we have not let them down. We are fighting to continue the benefits of a warm home, while helping them conserve energy and keep costs down.

Nothing saddens me more than seeing an elderly couple lose their home because they could not pay their excessive utility bills. It is clear from the Department of Energy study which will be discussed today that most of the dwellings that have been weatherized are occupied by at least one elderly member.

This is an important program for a responsible Senate Committee on the Aging to address. I thank you very much for calling this timely hearing.

Senator PRYOR. Thank you, Senator Pressler.

Without objection, we will at this point insert the statement of Senator Heinz into the record. Also, Senator John Glenn, the ranking minority member, has submitted a statement.

[The following was received for the record:]

STATEMENT OF SENATOR JOHN HEINZ

Good morning. Today the Special Committee on Aging is conducting an oversight hearing on the vital issue of energy and the elderly. This committee has long been concerned with the ability of low-income elderly persons to keep their homes heated in the winter and cooled in the summer.

In the last few years, Congress has become committed to decontrolling the price of oil and gas in order to let the market provided the incentives for energy conservation. At the same time, we must fulfill our obligation to people living on low incomes—particularly the low-income elderly who must live within a fixed budget—to provide the aid they need to cope with the skyrocketing costs of home energy.

We know that high fuel prices have been an intentive for conservation among many Americans, but for the elderly poor, cutting back on fuel consumption too often means shutting off rooms, using the oven for heat, or, when all else fails, falling victim to fatal hypothermia.

It wasn't supposed to be this way. When Congress grappled with the problem of energy shortages and dependence on foreign oil, and took up the issue of decontrol, we all acknowledged the overriding responsibility that the elderly poor and the most vulnerable in our society should not pay the price of our national energy problems. We enacted programs like the Low-Income Energy Assistance and the Weatherization Programs, proclaming that those who suffered from energy inflation would be assisted.

Our oversight hearing today will examine the effectiveness of the DOE Authorization Assistance Program in serving the poor. We know that the benefits that this program provide are many, but perhaps the most important can be categorized under three general areas. First, improving the energy efficiency of a home provides greater comfort with less consumption. Second, weatherization improvements are permanent—the energy savings accrue each year on a one-time investment. Third, reducing energy consumption reduces fuel bills for those low-income households, thereby lessening the demand for Federal Low-Income Energy Assistance Program funds.

Last October, I introduced legislation, S. 1953, that will amend the Energy Conservation in Existing Buildings Act of 1976 to reauthorize and improve the Weatherization Assistance Program. Three of my distinguished colleagues on this committee—Senators Percy, Cohen, and Kassebaum—joined me as cosponsors of this important measure. This bill makes several changes in the existing program that are designed to increase the benefits to low-income individuals for each dollar spent and improves the overall cost effectiveness of the program. It is my hope that this hearing today will examine ways in which we might better serve our needy population by developing newer and more efficient energy conservation procedures.

As a Nation, we must acknowledge our shared responsibility to help the elderly and low-income meet the burden of today's energy costs, and must do it with continued Federal financial support. We must pursue administrative improvements that cut down on waste and red tape and allow States discretion to structure their programs more efficiently. I look forward to hearing the testimony of our panels of distinguished witnesses this morning.

STATEMENT OF SENATOR JOHN GLENN

Mr. Chairman, I am pleased that the Special Committee on Aging is holding this hearing today to highlight the Federal Weatherization Program of the Department of Energy (DOE). The valuable DOE Weatherization Program has improved an estimated 1.2 million homes, many of them occupied by elderly citizens. The results of this program have been impressive in terms of both energy savings for our Nation and income savings for low-income citizens. Today we will learn more about the current status of the Weatherization Program and proposals for improvements and expansion of the program. I look forward to this morning's testimony from representatives of the Department of Energy, State and local agencies, national aging organizations, elderly consumers, and industry and trade associations.

As this winter's record cold weather has demonstrated, poor and low-income elderly citizens are particularly susceptible to the life-threatening situation caused by cold temperatures, rising fuel prices, and fuel shortages. Overall, the average poor household in this country devotes more than one-quarter of its income to home energy needs, and for some elderly persons, energy costs reach 50 percent of their income. Because low-income families have little disposable income, they usually cannot afford to make the long-term improvements in their homes that are needed to reduce energy needs. The Weatherization Program has enabled many older

Americans to practice some "preventive medicine" against their rising energy bills by making their homes more energy efficient. The program currently provides for the installation of insulation, storm windows and doors, and other energy efficiency improvements, for up to $1,000 per dwelling. Labor is provided by other sources, including older workers participating in the title V program of the Older Americans Act.

There are four benefits to weatherization. First, improving the energy efficiency of a home provides greater comfort with less consumption. Second, weatherization improvements are permanent; energy savings accrue each year following a one-time investment. Energy conservation improvements in the homes of low-income people can permit them to save up to 30 percent of their fuel bills annually over the life of the equipment, which is usually as long as 20 years. Third, reducing consumption reduces fuel bills for low-income households, thereby lessening the demand for low-income home energy assistance funds. The DOE Weatherization Program has provided energy savings of 15 to 30 percent per household, and has resulted in average savings of 27 percent in their fuel bills. And fourth, weatherization is a labor intensive activity that employs low-income Americans. Studies show that for each $100 million in Federal dollars spent on weatherization, 5,200 jobs are created on-site or through related manufacturing industries.

I would like to share with the committee the enthusiastic words of John Harrell, weatherization director for the Housing Development Corp. in Russellville, AR: "The only long-term solution to rising energy costs, which produces a negative impact on the elderly poor and those on fixed incomes, is weatherization. It will be a savings for years and years to come regardless of the price of fuel, not to mention the renewal of pride of ownership and the upgrading of the community. Without a doubt, it is the most cost-effective program the Congress has ever devised. Can you imagine, it pays for itself in less than 3 years." The "before" and "after" pictures that Mr. Harrell sent with his letter were even more descriptive of the benefits of the Weatherization Program.

Unfortunately, the Reagan administration does not share our strong support for this program. The administration has consistently tried to cut or abolish the Weatherization Program, and this year proposes to freeze the level of funding at $190 million. However, the evidence overwhelmingly indicates that this program is vital to both our energy and economic interests. In light of these considerations, we should be moving to expand and enhance this program, rather than constrict it. We should expeditiously work to ensure that the remaining nearly 13 million eligible households have an opportunity to benefit from this program. I will be carefully scrutinizing the administration's actions in this area.

I look forward to today's hearing which represents a continuation of the Aging Committee's long interest in energy problems facing older Americans.

Senator PRYOR. I would like to introduce our first witness this morning, Pat Collins, who currently serves as Under Secretary at the U.S. Department of Energy. In addition, he also has the title of Assistant Secretary for Conservation and Renewable Energy. In this capacity, Mr. Collins is responsible for energy conservation programs directed at schools and hospitals for the Low-Income Weatherization Program. Mr. Collins has served in the congressional affairs department for the American Homebuilders' Association, and prior to this position, was a professional staff member and administrative aide to a Congressman in the House of Representatives.

We look forward to hearing from you today, Mr. Collins, and we would like to ask, if we could, that each panelist that we have today to hold his remarks to 5 minutes, if possible. I am sure there will be questions after your statements.

Mr. Collins.

STATEMENT OF PAT COLLINS, WASHINGTON, DC, UNDER SECRETARY, U.S. DEPARTMENT OF ENERGY, ACCOMPANIED BY DONNA FITZPATRICK, PRINCIPAL DEPUTY ASSISTANT SECRETARY FOR CONSERVATION AND RENEWABLE ENERGY; RICH BRANCATO, DEPUTY DIRECTOR, STATE AND LOCAL PROGRAM OFFICE; AND JOE FLYNN, DIRECTOR, WEATHERIZATION PROGRAM

Mr. COLLINS. Thank you very much, Senator Pryor and members of the committee.

I would like to introduce my colleagues who are here with me today. Donna Fitzpatrick is our Principal Deputy Assistant Secretary for Conservation and Renewable Energy, on my far right; Rich Brancato is our Deputy Director of the State and Local Programs Office, and Joe Flynn is the head of our Weatherization Program.

I would also like, with the permission of the committee, to have my prepared statement put into the record, and I will summarize.

Senator PRYOR. Without objection.

Mr. COLLINS. Mr. Chairman, as you know, when I assumed the position of Under Secretary this past August, we had a special mandate to improve the Department's energy programs in conservation and renewable energy. The position of Under Secretary has been refocused along these two program areas to underline the priority of that effort within our Department. We are certainly conscious of the fact, as Senator Pressler has indicated, that many older Americans are committing 30 to 40 percent, and possibly even more, at this point, of their income to their heating bills.

One of my first initiatives was to establish a thorough review of ongoing and proposed programs, to ensure that adequate funding would be available, and that adequate coverage was provided on a broad spectrum of technological options, as addressed in Senator Heinz' legislation.

The overall goal of national energy policy under this administration is to provide an adequate supply of energy at reasonable prices. This policy recognizes that adequate supply requires flexibility in the energy system, with no undue reliance on any particular source of supply. Of course, the goal of reasonable cost suggests economic efficiency within this energy system.

A very important part of our effort is conservation, which is a significant energy resource that we feel must be managed as a resource. Substantial work has been done in the last decade in the conservation area by improving the efficiency of our homes. But low-income people often cannot afford the initial cost of this weatherization.

It is important to make low-income weatherization assistance available to those who need it, without necessarily increasing the Federal budget. Our funding request of $190 million for fiscal year 1985 is intended to keep the Weatherization Assistance Program at current levels. It is our intention that this funding would be provided by the petroleum overcharge restitution fund. We have sent the legislation to Capitol Hill which provides that, beginning in fiscal year 1985, the Department of the Treasury will hold moneys recovered by the U.S. Government from petroleum pricing viola-

tions under the Emergency Petroleum Allocation Act of 1973 in instances where the overcharged customers cannot be identified.

A portion of the overcharge money in this fund will be used to support the Department of Energy's Low-Income Weatherization Assistance Program, as well as schools and hospitals grants programs. These funds will also support the Health and Human Services' Low-Income Home Energy Assistance Program.

This proposal will authorize these programs to be funded for 5 years, at the 1984 congressionally authorized appropriation levels.

We are now working to identify the alternative funding strategies to improve the delivery of energy conservation services to low-income occupants of multifamily rental dwellings. As we make progress in these areas, we will keep you fully informed and will be glad to work with you on any legislation that will be needed.

Mr. Chairman, both the Congress and the administration share the common concern that the Federal Government assist low-income people in meeting their energy needs. Therefore, I am glad to report that approximately 20,000 homes are being weatherized each month, at an expenditure rate of about $22 million per month. To date, we have awarded $1.04 billion to the States, and 1.2 million homes have been weatherized.

From 1978 to 1983, the program has served over 2¼ million low-income people. Of these, over 600,000, or more than 25 percent, are older Americans. Estimates for energy savings resulting from weatherization are between 20 and 25 percent. This is particularly significant for low-income people who must manage on fixed incomes.

The Department of Energy published new regulations on January 27, only a month ago. Many of the changes in these regulations are designed to address the concerns that have been raised by this committee. We would suggest the program be permitted to operate under these new regulations for a period of time, prior to considering the possibility of yet further changes to the program.

Consequently, we suggest that any legislative initiatives to modify the substantive provisions of the program be deferred at this time.

The January 27 regulations brought welcome relief to the States by lessening their administrative and paperwork burdens and gave the States some increased flexibility in operating their Weatherization Programs. The rule provides for the use of audit procedures other than the Project Retrotech; requires a training and technical assistance plan; provides for consumer education; expands the measures list; and requires a final inspection of every weatherized home.

The Weatherization Assistance Program was designed and has operated as an Energy Retrofit Program. That really means that its purpose is to modify or fix or tune that which already exists. The program has not supported large-scale replacement items.

After ironing out some early kinks, the program has functioned well within these limitations, we feel. I am concerned that the measures such as furnace replacements would put the program into the housing rehabilitation area, however, and given the size of the population that needs to be served and the limited funds avail-

able, I believe we should continue to focus DOE's efforts on installing effective energy conservation retrofit measures.

Mr. Chairman, I want to commend you and the committee for your efforts in addressing the energy efficiency issue. It is an initiative which we have also been considering, and on which we can agree. Since the program's inception, we have focused on energy savings as the primary, if not the only measure of program accomplishment, rather than on energy efficiency.

There are two concerns, however, with this approach. One, it presumes that weatherization will always cut a family's energy consumption. This presumption ignores some changes in the family's behavior after weatherization, of course. And of course, No. 2, the energy savings criteria are disproportionately biased in favor of colder areas.

We are all aware that low-income elderly people have cut their energy consumption to as low a level as they can manage. Indeed, some have suffered, as you and Senator Pressler have noted. However, on average, energy savings do occur as a result of weatherization, and in addition, energy efficiency has increased benefits per unit of energy, consistent with results from weatherization.

In conclusion, Mr. Chairman, I think we can agree that our common goals greatly overshadow any differences of approach. I hope the Congress will act quickly to provide stable financing for the current DOE programs, through the administration's proposal that you have mentioned. I look forward to working with you and thank you very much for the opportunity to appear before you today.

Senator PRYOR. Mr. Collins, thank you very much.

[The prepared statement of Mr. Collins follows:]

PREPARED STATEMENT OF PAT COLLINS

Good morning, Mr. Chairman. I commend you for your efforts to address the energy needs of low-income people. Before making specific comments, I would like to offer a history of the Weatherization Program and pose a series of questions to attempt to frame our discussion.

The Weatherization Assistance Program (WAP) was established by the Energy Conservation and Production Act (ECPA), and subsequently amended by the National Energy Conservation Policy Act (NECPA) and the Energy Security Act (ESA).

Until 1979, the effort was an amalgam of activities of three agencies: the Community Services Administration, with authority over Community Action Agencies; the Department of Labor, with authority over federally-financed employment, and the Department of Energy, with responsibility for overall program management.

In August 1979, the Interagency Action Plan coordinated these activities to give more flexibility to the program's authority to hire labor in the marketplace. Previously, the program's labor services were to be supplied largely by the local CETA pool.

Subsequent rulemakings have given additional structure and form to the program. Two are of particular importance: the February 1980 interim final rule, and the January 1984 final rule. The February 1980 action, to stimulate and increase production, expanded the use of program funds to hire labor or to engage contractors. It increased the maximum allowable expenditure per dwelling unit from $800 to a maximum of $1,600 to cover labor costs; allowed the use of low-cost/no-cost measures; established more flexible expenditure ceilings for the States for materials, program support, and labor; established greater flexibility for weatherizing rental units in multifamily buildings; and permitted DOE to make tentative allocations among the States.

I am particularly proud of DOE's latest rule, issued on January 27 of this year. I'm sure you'll agree with me, Mr. Chairman, that this rule takes into account

many of the same technological advances and local service delivery improvements that you have considered in your bill.

The new regulation allows States flexibility in operating their weatherization programs and lessens administrative burdens by reducing paperwork. The highlights of the rule are: (1) Adding new weatherization measures and updating standards for weatherization materials to give States more flexibility to select the most cost-effective measures for their areas; (2) allowing States to use alternate energy audit procedures that meet or exceed Project Retrotech's standards, the only procedure previously allowed; (3) allowing weatherization of two- and four-unit buildings when 50 percent of the units are eligible, a reduction from the previous 66 percent requirement; (4) requiring an inspection of the work performed on each weatherized unit after completion; and (5) simplifying the grant application process.

From 1977 through 1978, an estimated 96,000 homes were weatherized. In 1979, 144,000 homes were completed; 311,000 homes in 1980, and 161,000 homes in 1981. Currently, we count approximately 20,000 homes per month, at an expenditure rate of $22 million per month. To date, we have awarded $1.04 billion to States, and an estimated 1.2 million homes have been weatherized.

Mr. Chairman, I commend you for your efforts to address the energy needs of low-income people, particularly the elderly. From 1978 through 1983, the program has served over 2¼ million low-income people. Of these, over 600,000, or more than 25 percent, are elderly. Estimates for energy savings resulting from weatherization work is between 20 and 25 percent. This is particularly significant for low-income elderly people who must manage on a fixed income.

Mr. Chairman, your proposed legislation, S. 1953, the Weatherization Act of 1983, will constitute the third, and most substantial, legislative revision to the program in its 7-year history.

Making program changes by legislation can have the adverse effect of locking the program into positions whch can only be changed by more legislation. A case in point is the expenditure limits per dwellng unit. Originally, ECPA set the limit at $400. Inflation quickly made that figure unrealistic. And, the limit was raised to $800, with a provision that a State could request a higher amount. In 1980, the per-unit cost was increased to $1,000. Continued inflation and problems in obtaining the Department of Labor's CETA workers required that the limit be raised again, to $1,600. In addition to our reservations with the concept of expenditure averaging, we are concerned that having set absolute dollar limits in a period of constantly-rising prices has been a short-term expedient, at best.

The issue of expenditure averaging raises a question of equity. The purpose of averaging is to permit the installation of costly heating systems in some dwellings, while installing less costly measures in others. Conceivably, allowing other expensive work to be done on selected dwellings could result in only minimal improvements to other dwellings to keep the average within the $1,600 limit. The problem of controlling overly expensive installations has been manageable so far, largely because of the per dwelling limitation on expenditures. Replacing that limitation with an average would make it very difficult to ensure that weatherization work would be done on an impartial, objective basis. Local agency managers already have the difficult task of prioritizing the dwellings to be weatherized. This provision would subject them to increased criticism based on their choice of materials to be installed in any dwelling.

Related to the issue of expenditure limits is the question of eligible costs. S. 1953 would expand the list of eligible costs to include replacement furnaces and burners. However, the Weatherization Assistance Program was designed, and has operated as, an energy-retrofit program. That means that its purpose is to modify, fix, or tune that which already exists. It has not supported large-scale replacement items. After ironing out some early kinks, the program has functioned well within those limitations. However, I am concerned about any new measures that will put the program into housing rehabilitation. Given the size of the population to be served, and the limited funds available, shouldn't we continue to focus DOE's efforts on installing energy conservation retrofit measures?

Other areas proposed for change by S. 1953 have already been implemented by DOE in its January 27 regulation changes. DOE has already allowed for the use of audit procedures other than Project Retro-Tech in that final rule. Likewise, the January 27 rule already requires a training and technical assistance plan, provides for consumer education, and expands the measures list.

S. 1953 adds requirements for extensive recordkeeping at the DOE, State, and subgrantee levels, such as detailed surveys of eligible units, methods for measuring energy savings, etc. One of the primary lessons learned so far in the management of this program is that even rudimentary recordkeeping is a struggle to achieve. State

and subgrantee funds for administration are strictly limited, usually to 5 percent each, and in no case can more than 10 percent of the total grant be spent for administration. The administrative funds must be used largely for basic management expenses.

S. 1985 does not provide any additional funds to pay for all of these new planning and documentation requirements; nor do we suggest that it do so. The program should be primarily concerned with effective energy conservation measures, or other indications of a successful weatherization effort. DOE has funded in the past, and will continue to fund, sample surveys and other studies of program operations. Extensive training, testing, and incentive funding projects (including developing and testing multifamily building retrofit measures) are costly and complicating nonessentials when there are still millions of eligible dwelling units to weatherize. Besides, the program was never set up to manage research and development projects. Further, it seems unnecessary for States to be asked to develop elaborate plans for weatherizing all eligible units every year. It would seem more appropriate for them to prepare a plan for each year's portion.

S. 1953 also authorizes the program for 3 more years, through fiscal year 1987. We believe that a multiyear authorization is a worthwhile provision, since it addresses a problem most government programs have: the limited ability to plan for the future, due to the need for frequent reauthorization. However, we think that the funding level provided ($270 million for fiscal year 1985; $292 million for fiscal year 1986; and $315 million for fiscal year 1987) is too high. The President's request for fiscal year 1985 would provide a total of $190 million for these programs, the same as the fiscal year appropriation level.

Generally, our comments on S. 1953 are that it would institute a variety of changes, a number of which appear either unworkable or unrealistic. Other provisions of S. 1953 have already been incorporated into the January 27 regulation. And, finally, the funding level is higher than needed.

Many of the problems pointed out so far are symptomatic of the difficulties of managing and changing a Federal program which was originally established by relatively restrictive legislation. This program was then further limited by elaborately detailed regulations, arising from the legislation. The restrictive legislation was born out of experience with an earlier weatherization program run by the Community Services Administration. That program had few restrictions and achieved uncertain results due to lack of controls and poor recordkeeping.

I have described a more or less standard progression in managing government programs. Begin with an appealing idea. Try it out with relatively few controls. Run into problems due to lack of oversight. Perhaps encounter a scandal or two because of poor management or inadequate direction. Then, respond by imposing strict controls that are overly specific, but do not provide adequate funding to enforce the controls. Finally, attempt to compensate by loosening the controls. Run into more problems. Impose more controls, etc. Clearly, it is extremely difficult to legislate, from Washington, a program to equitably and effectively address the needs and capabilities of all of the States. The more specific the legislation and regulations, the more difficult it is to devise a nationwide program that works.

Let me suggest an alternative approach. As I indicated earlier, DOE published new program regulations on January 27, only 1 month ago. Many of the changes in these regulations are designed to address the concerns you have raised. We would suggest that the program be permitted to operate under these new regulations for a period of time prior to considering the possibility of yet further changes to the program. Consequently, we suggest that any legislative initiatives to modify the substantive provisions of the program be deferred at this time. Instead, we strongly recommend that Congress act promptly and favorably on legislation to provide stable financing for the program. The administration has proposed that the problem of funding be resolved through the proposed "Petroleum Restitution Overcharge Act." This bill would establish an explicit, uniform policy regarding indirect restitution in petroleum overcharge cases where the injured parties cannot be identified and repaid. The bill proposes that these moneys be used to support the Department of Energy's Low-Income Weatherization Program and its Schools and Hospitals Grant Program. These funds will also support the Health and Human Services Low-Income Home Energy Assistance Program. This proposal will authorize these programs to be funded for 5 years at the fiscal year 1984 appropriations levels.

In conclusion, Mr. Chairman, both the Congress and the administration share a common concern that the Federal Government assist low-income people in meeting their energy needs. I believe that our common goals greatly overshadow any differences of approach. While we may differ on the need for new substantive legislation at this time, I hope we can agree on the need to provide stable financing for the

current DOE programs through the administration's proposed petroleum overcharge restitution legislation. I look forward to working with you, and I thank you for the opportunity to appear today.

Senator PRYOR. Senator Burdick has a question.

Senator BURDICK. Thank you, Mr. Chairman. I have to attend another hearing, and before I leave there is one subject I would like to have explored.

I think it is an excellent idea to insulate the attic, calk the windows, and do all of those things. But there is another area that we have not really dealt with. We have in the older houses in this country some very inefficient furnaces. And you mentioned furnace replacement in your statement. Now, I know of my own knowledge that there are just thousands of furnaces that are only about 50 percent efficient. That means that half the value of the fuel is going up the chimney and out into the air.

I understand the the replacement of a furnace is more costly than putting in some insulation in the attic.

Do you think we can devise a program that can give some help in the purchase of a new, efficient furnace, which really is what they need?

Mr. COLLINS. Senator Burdick, I think that we have some very significant research results on retrofit of oil furnaces, and we are looking extensively into those gas furnaces.

Retrofits, which are allowable under our new regulations, will increase that efficiency a great deal, and probably accomplish most of the goals you are addressing.

Senator BURDICK. Oh, it would certainly help, but I have seen some of these pulse furnaces where they really have no chimney, so they are consuming about 98 percent of the value of the fuel. Now, the old furnaces still have chimneys, and the heat still goes up. Now, retrofit is fine, but if you are really going to do a good job and make some savings, it almost needs a newly designed furnace—it is the design of the furnace, not the retrofitting.

I do not want you to think I am not for retrofitting. I am for anything that will save some money. But I think eventually, we are going to have to take these old junk furnaces and replace them if we want to really save some money.

So have we got any plans to finance some of those?

Mr. COLLINS. Well, as you well know, Senator, that is a very big ticket item.

Senator BURDICK. I know.

Mr. COLLINS. In most instances, it would go well above our limits, maybe well above twice what we have now. We are trying to provide some service for about 13 million homes, and as I mentioned in the testimony, we have just gone over 1 million homes. And I think that at this point in time, within the numbers framework that we are working with, it is probably not going to be possible. Like I say, as you know, we made some significant progress with retrofits which are relatively inexpensive, compared to total replacement. If we are going to operate and try to get to as many of those 13 million homes as possible, as quickly as possible, it is going to be hard to spend a lot on individual homes.

Senator BURDICK. We devised some legislation here that gave some help toward the purchase of the furnace, as well as purchase

of insulation, and so forth, would that meet with your approval—partial payment toward the furnace?

Mr. COLLINS. We have not addressed that yet. Let me——

Senator BURDICK. I am addressing it.

Mr. COLLINS. I understand. Let me ask Mr. Flynn, our director of weatherization.

Mr. FLYNN. The only thing we have looked at is increasing the efficiency of the current furnaces. Because of the reasons that Mr. Collins gave, we have not gone beyond an attempt to replace a furnace under any scenario that we have. It is certainly something that we could look at to see if there is a way to combine the two, or to take a closer look at a particular kind of furnace, and work from there.

Mr. COLLINS. I think you are talking about at least a partial payment, and still manage to keep it within our limitations.

Senator BURDICK. Yes, yes.

Mr. COLLINS. That is something we should look into, and I will be glad to do so. I will get back to the committee with a further response on that, Senator Burdick.

[Subsequent to the hearing, Mr. Collins submitted the following information:]

Large scale replacement items, such as furnaces, are very expensive. For example, furnace replacement for a three-bedroom single family home in the Washington, DC area would cost from $1,200 to $1,700. The price does not include any system modifications or adjustments. The Weatherization Assistance Program's maximum expenditure per home is $1,000. (If the DOE support office grants a waiver, the State can spend as much as $1,600 per home.)

Under the Present program, furnace replacement is not allowed because it would consume so much of the allowable cost per home that little money, if any, would be left to take care of infiltration or insulation measures.

Even if DOE were to pay for half of the average purchase price, i.e., $700, that single measure could use up between 40 to 70 percent of the current allowable cost limits. However, this issue will be reviewed as we move into the implementation phase of the new rule, which permits furnace retrofits.

Senator BURDICK. As long as you calk up the windows and put the insulation in the ceiling and the attic, and then have half of it go up the chimney, it does not make much sense. What we really want to get is efficiency. So I certainly hope you do.

Mr. COLLINS. We appreciate it.

Senator BURDICK. No further questions.

Senator PRYOR. Thank you, Senator Burdick.

Senator Pressler, do you have any questions?

Senator PRESSLER. Yes. I would like to discuss the weatherization program's impact in rural areas and small towns. How is the program working there, and what do we anticipate in the future?

Mr. COLLINS. I appreciate that very much, Senator Pressler. As a result of your suggestion and leadership in this area, in our new regulations we have expanded the amount of money available because we realize there are higher costs in the rural areas. Coming from a State like that myself, I have firsthand experience. I think that our new regulations should improve this program along this line. We would like to monitor those for awhile and then report back to you, and see if we are making the progress that you suggested when you brought it up.

[Subsequent to the hearing, Mr. Collins submitted the following information:]

The Weatherization Assistance Program appears to be working very well in rural areas. Program support costs can be higher in rural areas because of the long distances. However, urban areas often have compensating costs such as more expensive labor. Regular monitoring by the State and by the Federal Government is designed to ensure that the program is delivered equitably across the country. When problems and discrepancies are discovered, the monitoring system is designed to ensure that corrective action is taken.

Senator PRESSLER. Yes; we look forward to that report. I think in particular, some of these folks in the smaller towns really have a hard time because they do not have as many alternative services available to them. I hope the program is moving forward well, because it does save energy, and energy costs have been a severe problem in South Dakota this winter. It has been one of the toughest winters we have had. I do not know if Arkansas would be as cold, but I know many of us are concerned about this program.

Senator PRYOR. We have set all records this winter.

Senator PRESSLER. Is that right?

Senator PRYOR. This past Christmas was the coldest month in history in the State of Arkansas.

Senator PRESSLER. So I thank you very much for your work.

Senator PRYOR. Thank you, Senator Pressler.

I would like to ask a few questions, Mr. Collins. We have a very difficult time here in the legislative branch finding facts and information on how the program is progressing, at what efficiency rate, and how the money is actually being spent. DOE has spent about $1 billion since 1977. What sort of a comprehensive evaluation of the program—to answer such basic questions as what the average cost of completing a typical weatherization installation is and what energy savings which have resulted from this weatherization program—do we have information like this?

Mr. COLLINS. Yes, we do, Senator, and we are continuing to work on that. I would like Mr. Flynn to update us on that.

Mr. FLYNN. Senator Pryor, in terms of the cost data, we receive monthly reports from the States. We know essentially what they are spending, how many homes they are weatherizing, how many people they are serving. So we gather that data on a regular basis.

In terms of energy savings or other sorts of data, some States are collecting and providing us with that information. Last year, we entered into a year-long evaluation of the energy savings of the program. We are expecting to see a final draft report sometime toward the end of this month. That will be the first report in several years in which the Department went out and did its own evaluation, although numerous other people have evaluated the same program. Their findings seem to be fairly consistent.

Senator PRYOR. Now, is this the report that we thought we might have last August, in August 1983, which was then scheduled for a month later? Is that the same report?

Mr. FLYNN. It may be. I do not think we ever expected it would be ready as early as August, but it was always targeted for the fall. So we may be talking about the same report.

Senator PRYOR. I know you are dealing with a very complex issue, but why has the report been delayed for this period of time? Why have we seen such a delay?

Mr. FLYNN. We saw an early version of a report, and in talking with the analysts who worked on it, found some problems in the way the data was gathered and the way it was being presented. We asked them to go back and compare their findings with findings which had been provided in other studies and see why they were coming up with some differences. They have gone back to that, and that is what we are expecting to see.

[Subsequent to the hearing, Mr. Collins submitted the following information:]

The executive summary to the response analysis report on energy savings achieved by the Weatherization Assistance Program is in Appendix as Item 3. The full report is retained in committee files.

Senator PRYOR. This committee is not what you would call a legislative committee, but we do perform oversight functions, and we certainly would hope and expect that this report would be given to the members and the staff of this committee, for our evaluation.

I also note that in Mr. Collins statement on the current funding levels, the program is serving about 20,000 homes per month, I believe, or 240,000 homes a year. And to be eligible for the Weatherization Assistance Program, a household must be at 125 percent of the poverty level. There are now about 13 million households at that level in the United States today.

Given current funding levels, we are only really reaching a fraction of the low-income population, and it is estimated that it will take some 50 years—50 years—to reach all the eligible households. What do you think is the most appropriate Federal role for meeting this tremendous need? How can the Federal Government best meet this need?

Would you identify yourself for the record, please?

Mr. BRANCATO. Yes, Senator. I am Richard Brancato. I am the deputy director of the office of State and local programs.

Senator PRYOR. Thank you, sir.

Mr. BRANCATO. We certainly realize that there are a substantial number of homes to be weatherized. We have done about 1 million of them, and we have about 13 million more to do.

We feel that with our program, a rate of about 20,000 homes per month, with the resources that we have had appropriated, there is a fairly reasonable level of effort at the State level, and is about the capacity at this point in time at the State level.

We think that with the moneys from the petroleum overcharge fund, and with the other opportunities that the States have to fund weatherization activities out of things like the LIHEAP Program, using other Federal resources, that we can continue a relatively stable program in this area.

One of the things in the past that has effected the operation of the programs has been the up and down nature of the funding level of these programs, and it has affected, really, the ability of the community action agencies which deliver the program to ensure that a stable work force is in place to weatherize homes. We feel that with the new proposed legislation, assuring a 5-year fund-

ing pattern for these programs, that we will be able to maintain a level of about 20,000 homes per month.

Senator PRYOR. You are speaking of the 5-year program in the McClure legislation, S. 2370, if I am not mistaken?

Mr. BRANCATO. Yes, sir.

Senator PRYOR. We will talk about that in just a moment. I think what we are really concerned about in the committee—and some of us have expressed this to you, and there has been concern in the House—is the administration proposal to fund the Low-Income Energy Assistance Program and Weatherization Program from the newly established petroleum restitution fund. This fund consists of anticipated settlements with companies who overcharged consumers during the price control days of the 1970's.

Now, it has been estimated that nothing even approaching the $2 billion anticipated by this administration in the oil overcharge fund is in the bank or in the Government's hands, nor is there likely to be such a sum by the beginning of fiscal year 1985. And, given this fact—if it is a fact—or the possibility that Congress will not act on the administration's legislative proposal, what is the Department of Energy's plan to fund these programs for fiscal year 1985 and beyond?

Mr. COLLINS. Senator Pryor, relative to that, I think one of the best parts of the McClure legislation was what the State energy directors asked for when they met in Kansas City this fall. They wanted some degree of continuity or stability to this program. Therefore, we have come up with a 5-year proposal, as you mentioned. Probably the best thing relative to those concerns of the State energy directors is that if we lose the oil overcharge cases, or if the money does not come in as quickly as is needed, that money is guaranteed to be taken from the general fund. On a regular basis, this would provide a little over $2 billion worth of funding each year, for the next 5 years. So that kind of a guarantee, we hope, will stabilize the work force and provide a professional staff that will allow us to continue at the pace that we are right now.

Senator PRYOR. So if the restitution fund is not filled up, or not funded, let's say, by the oil companies who owe this debt to the consumers, then this funding will come from general revenues?

Mr. COLLINS. Yes, sir.

Senator PRYOR. Is this administration aggressively pursuing the petroleum restitution fund and aggressively pursuing having those companies pay to the Federal Treasury the amount of money that they owe?

Mr. COLLINS. Senator Pryor, we now have about $400 million in various stages of litigation. We have about $26 million without any appeals that, as of yesterday, we were working to get to the States immediately. We have an estimated $5 to $6 billion that we are pursuing aggressively.

Senator PRYOR. And how much is in the fund right now, Mr. Collins?

Mr. COLLINS. $26 million would be unencumbered, and $400 million in various stages of litigation at this point in time, Senator Pryor.

Senator PRYOR. And I understand the *Exxon* case is on appeal?

Mr. COLLINS. Yes, sir.

Senator PRYOR. And that is probably a 10-year process.

Mr. COLLINS. Well, that was one of the things that we were very much concerned about, quite frankly. That is why we put in this type of legislation for money to be taken from the general fund for 5 years on a regular basis, to ensure the continuity that many of the State energy officials have been concerned about.

Senator PRYOR. Why doesn't Exxon just pay us that money, rather than paying it out to the lawyers?

Mr. COLLINS. I think I am the wrong witness for that, Senator Pryor.

Senator PRYOR. Now, do you feel that the administration right now is truly committed to a $2 billion funding level for the program?

Mr. COLLINS. Yes, sir.

Senator PRYOR. Is that commitment really there? We are not just playing with mirrors here, are we?

Mr. COLLINS. No, sir. I think the expression of concern by the energy officials last fall about the multiyear continuity and the regularity of the payments, is addressed in our legislation. Of course, our first priority is to find those that were injured, and it goes out that way. Of course, if we lose those cases, or if the cases get dragged out, as you suggest—under any of those circumstances, this provides a guarantee of regularity and continuity for the money for these programs, and I think that is extremely important.

Senator PRYOR. Mr. Collins, the distinguished former chairman of this committee, Senator Lawton Chiles, of Florida, is now in our presence, and I would like to call upon him to make a statement, or to make a speech, or to preach a sermon, or ask any questions of you at this time.

Senator Chiles.

Senator CHILES. Thank you. I was just telling our chairman that my being able to bask in his presence for a few minutes and to see how prepared he is on this subject has made my day. [Laughter.]

Senator PRYOR. Well, I know it is some surprise for you to see me presiding, and I know Senator Heinz could not find Senator Chiles the other day, and he found me, so that is how I got tapped for this service.

Senator CHILES. I have a statement that I would ask be inserted into the record.

Senator PRYOR. Without objection, so ordered.

[The statement of Senator Chiles follows:]

STATEMENT OF SENATOR LAWTON CHILES

Thank you, Mr. Chairman, for calling this hearing today to review the Federal Weatherization Assistance Program. I am pleased that the Special Committee on Aging is continuing in its efforts to maintain and improve this very important program.

As we are all very much aware, energy prices have escalated dramatically in recent years. Our country's senior citizens have been hit, and hit hard, by the high cost of heating and cooling their homes. This winter has been especially devastating throughout the country and monthly fuel bills of $250 are not at all unusual. The upcoming summer also threatens to be particularly extreme and cooling bills may be just as high. Since low-income senior citizens pay a much higher percentage of their income for fuel bills than others who are not on a fixed income, these older

Americans and are more susceptable to temperature extremes, they therefore face a difficult situation.

The Federal Government operates two programs to directly help low-income older Americans cope with this dilemma. First, the Low-Income Energy Assistance Program helps low-income households pay their fuel bills. Second, and the topic of our hearing today, the Federal Weatherization Program provides assistance to low-income households who otherwise would not be able to afford to install conservation measures in their homes. Without these two programs, the low-income elderly would be forced to make some difficult choices—between buying groceries and heating or cooling their homes.

However, in recent years, the Reagan administration has proposed abolishing the Weatherization Program and cutting the budget for the energy assistance program. I am pleased that Congress has rejected the President's drastic budget cuts for the low-income energy assistance programs. But it concerns me that the administration wanted to terminate the Weatherization Program. Sometimes we need to spend a little now to save a lot later and that's where the Weatherization Program fits in. Using new technologies such as retrofitting and building shell weatherization, we can increase the efficiency of the Federal Government's fuel dollar. It makes no sense to let energy assistance funds simply go up wasted in smoke when we can take the steps to make these limited dollars go farther. The Weatherization Program is important not only to low-income households that can't afford to waste energy, but to the Government's wallet as well.

This hearing today can go a long way to help low-income older Americans cope with high fuel bills. I want to thank our distinguished panel of witnesses for meeting with us today, and I am looking forward to hearing your recommendations for improving this very important program.

Senator PRYOR. We also have Senator Grassley of Iowa.

Senator Grassley.

Senator GRASSLEY. At this point, Mr. Chairman, because of my late arrival, I am not prepared to ask questions of this panel, but I came by because of my State being a State that has made effective use of this program, and since way back to the period of time when I was in the House of Representatives, when it was first authorized, I have been following it very closely. There is probably no program, even including the cash grants, in the case of low-income energy assistance, that are as well received in my State.

So I am very much interested in this, and I thank you, Senator Heinz, for helping out so that we could have this evidence of successful working of the program, as well as also to point out some of its shortcomings.

Mr. Chairman, I also ask that my statement be inserted into the record.

Thank you.

Senator PRYOR. Thank you, Senator Grassley, and without objection, the statement will be inserted into the record at this time.

[The statement of Senator Grassley follows:]

STATEMENT OF SENATOR CHARLES E. GRASSLEY

Mr. Chairman, I thank and commend you for calling this hearing at this particular time. As you know, the Low-Income Home Energy Assistance Program is up for reauthorization. The details of energy conservation discussed here this morning will allow a more cogent evaluation of that program as well as give us the needed expertise to make decisions on the Federal Weatherization Assistance Program itself.

I am most anxious to hear and/or read the testimony of Pat Collins, Under Secretary, Department of Energy. Certainly, all of us in Congress are interested in getting more efficient use of the LIEAP dollars. Improved energy efficiency of the homes of LIEAP beneficiaries achieves that economizing goal plus the elderly have been a targeted population and records indicate that they indeed have benefited. In fact, Mr. Chairman, we hve all benefited as energy savings for the Nation have increased in all areas of the economy.

The technology and hardware of retrofitting and energy conservation audits may well require the Congress to improve the present weatherization legislation prior to its reauthorization.

Senator PRYOR. Mr. Collins, one or two more quick questions. I wish you would give for the committee your projections over the next 5 years as to how fast the amount of overcharged money actually is going to be available for use under this program. How much money are we going to have 1 year from now, 2 years from now, 5 years from now, in this fund?

Mr. COLLINS. Senator Pryor, I think, as most of us know, the way the court systems work, that is probably an extremely difficult prediction to make. We know that the overall figure that we are talking about is somewhere between $5 and $6 billion. I think that is one of the reasons this legislation is particularly attractive. It does not matter when those funds come in relative to funding these programs, because it will be taken from the general fund on a regular basis, notwithstanding our success in the court system or the vagueries of the court systems.

Senator PRYOR. But notwithstanding the fact that Senator McClure has now introduced S. 2370, this is not going to, let us say, curtail your enthusiasm for pursuing these overcharges in the courts?

Mr. COLLINS. No, sir, not at all.

Senator PRYOR. There will be further questions for the record, Mr. Collins, offered by staff, and perhaps by other members of the committee, and we will leave the record open for an appropriate time for those questions to be submitted to you and answered for the record.

At this time, unless Senator Grassley has anything else, I think we might move to the next witness.

Are you going to be able to be with us another hour or so, or do you have to go back and sue some other oil company?

Mr. COLLINS. I had planned to sit to listen to part of the hearings, Mr. Chairman.

Senator PRYOR. Thank you, sir.

Yes, Senator Grassley?

Senator GRASSLEY. In regard to the regulations on the retrofitting of older furnaces, could you explain how that is going to work—exactly what you mean?

Mr. COLLINS. Yes, Senator Grassley.

We have just issued regulations that make that more flexible, and I would like Joe Flynn, the head of our Weatherization Program, to comment on that a little bit further.

Mr. FLYNN. Senator, for some time there were questions as to whether or not we could do any work on the mechanical units, that is, the furnaces in a house. What we have done with the new regulations is say to the States, "If that is a priority you wish to go about, go ahead and do it." They will treat these mechanical options as any other weatherization measure. They will rank it, and where it is an efficient use of the money, it is a State option to use it. There have been studies done and technologies developed to show them how to do it, and it is now, again, a State option as is the State grant program.

Senator GRASSLEY. OK. So there is nothing specifically from Washington to the States on what can be done in that area; you are leaving a great deal of leeway to the States——

Mr. FLYNN. That is correct.

Senator GRASSLEY [continuing]. I suppose, considering the new technology, and expecting them to consider the new technology.

Mr. FLYNN. Yes, sir.

Senator PRYOR. One final thing. How does just, say, a little widow lady or a couple out there who qualify for this assistance, how are they informed? How are they educated to know about the availability of this program?

People stop me all the time and say, "Senator Pryor, tell me about this program and how we get our home weatherized." Who does that, the State?

Mr. COLLINS. DOE has a new initiative, which I alluded to briefly in my points at the start of the testimony. I would like to have Mr. Flynn comment on it.

Mr. FLYNN. The short answer, perhaps, Senator, is the State. It is the State or local agency. I travel, as do you, and see or hear public service announcements on the radio or television from time to time, and there are ads in the newspaper. Outreach workers with the community action agencies, and the other local action agencies also try to go out and identify the candidates who are eligible for the program.

What we have added now, with the new rule, is to permit consumer education, or some actual help to eligible people beyond just informing them that there is a program, and to come in and apply. Now we hope we can provide them with some assistance beyond just weatherizing. We can show them how to maintain some of the installed measures and other measures they could take themselves to reduce their energy use.

Senator PRYOR. And in the meantime, do they go on a waiting list?

Mr. FLYNN. Yes, sir. They would come in and apply for assistance. Elderly and handicapped people, by law and regulation, get a higher priority than others. I am not aware of other categories that would go ahead of them anyplace. They would go on a list and then be treated in turn.

Senator PRYOR. And do we have any figures, any statistics, to give us some guidance on the approximate time that a person or a couple might have to stay on the waiting list?

Mr. FLYNN. I do not have any at hand, but we can supply it to you, Senator.

[Subsequent to the hearing, the following information was supplied:]

A sample survey of the Weatherization Assistance Program subgrantees reveals wide variation in the amount of time a person can spend waiting for his or her home to be weatherized. Corollary variations were noted in the number of people waiting for assistance.

The amount of time a person can spend on a waiting list ranged from 2 weeks to 8 years. The average time is between 9 months and 2 years. The subgrantee waiting list size ranges from 22 to 5,000. The average number of people on subgrantee waiting lists is between 400 and 800.

Senator GRASSLEY. Do we have just one outreach program now, because in the late seventies, we had two or three Government agencies doing outreach in this area, almost in a competitive fashion—at least, that was the case when I was in the House, and there were efforts to do away with one or the other expenditure and have one agency do the outreach. Do we have just one now?

Mr. FLYNN. Well, Senator, actually two now. There were three programs, I think you are referring to, during that period of time. Basically, under the Health and Human Services Department, you have low-income energy assistance, which involves primarily direct cash payments. Through the Weatherization Program of the Department of Energy, which is more in a technical vein, DOE weatherizes homes. And it is down to those two at this point in time.

Mr. COLLINS. I just talked to your State energy director yesterday, as a matter of fact, and understand it is working very well in your State.

Senator GRASSLEY. Thank you.

Senator PRYOR. Thank you, Mr. Collins, and thank you, ladies and gentlemen.

We are ready for panel No. 2 now.

Ladies and gentlemen of panel No. 2, we appreciate you coming very much. Some of you have come far distances. We apologize for the seeming lack of the number of Senators, but we have very high-quality Senators here, I might say. But we have a lot of things going on. Senator Grassley is just leaving to go to the hearing relative to Mr. Meese, and other members of the panel have other committee meetings, and certainly, a lot of business to conduct today. So they will be coming and going out of the room. We hope that explanation will suffice.

We have five members of this panel this morning. We are once again very appreciative to Leslie Post, director of the Minnesota Energy Assistance Program; Geoffrey Green, director of the York County Community Action Organization, in Sanford, ME; Wallace Minor, from Philadelphia, PA; Carol Werner, from the National Consumer Law Center; and Vita Ostrander, who is president of the American Association of Retired Persons.

We will call upon you to give your statements, and we are going to adhere very strictly to a 5-minute rule, if we might, and we would ask your indulgence in that rule and ask your cooperation in carrying that out, as we also have panel No. 3, which will be following you.

So, first, let us hear from Leslie Post. We are very appreciative of you being here with us this morning, from Minnesota.

STATEMENT OF LESLIE POST, ST. PAUL, MN, DIRECTOR, ENERGY ASSISTANCE PROGRAM, STATE OF MINNESOTA

Ms. POST. Thank you, Senator, and Senator Grassley.

My name is Leslie Post. I am director of Minnesota's Energy Assistance Program, and I am responsible for managing our current low-income home energy assistance block grant allocation of $74.3 million. We project that over 130,000 low-income Minnesotans will receive energy assistance this heating season.

In 1982, as policy supervisor for the Energy Assistance Program, I coordinated Minnesota's Oil Burner Retrofit Pilot Program, and I am currently responsible for the State's gas retrofit pilot.

The purpose of my testimony is to stress the importance of continuing a strong commitment to reduce energy consumption in the homes of low-income Americans. More specifically, this testimony addresses the feasibility of performing heating system retrofits as a complement to building shell weatherization and to energy assistance payments.

Building shell weatherization has been seen as the most cost-effective means of reducing energy consumption in low-income homes. But more recently, studies have shown that improving the efficiency of existing heating systems, while continuing to weatherize, can increase energy savings. Not only is this a comprehensive approach to energy conservation, but it also creates a potential for a dramatic improvement in the benefit-to-cost ratio of existing programs.

In Minnesota, the primary goal of energy assistance programs for the poor has changed over the years, from one of providing short-term cash assistance to households to addressing the larger issue of reducing consumption.

This shift was fostered in part by changes in the Federal law, which allow States greater flexibility to design programs and expend low-income energy assistance funds, but prior to the changes in the law, Minnesota's program basically paid energy bills. We saw this as a band-aid approach to the problem, but we lacked the authority and the funding and, quite honestly, the technical knowledge to develop conservation programs to help the low-income households.

After a brief introduction to oil burner retrofit technology which was offered by Wayne Gathers of the Alliance to Save Energy and Frank Kensill of the Institute for Human Development, I was assigned to work with Wayne and Frank to design a Retrofit Pilot Program for Minnesota

I have to point out that I had no previous experience in implementing conservation programs, and I have no technical background and, I have to admit, little technical aptitude. But anyway, we set out to retrofit 1,500 existing oil-fired heating systems in Minnesota in 24 of the State's 87 counties. Wayne and Frank taught 50 local weatherization auditors how to test the heating system efficiency, and they trained 100 oil heat service technicians in combustion theory and retrofit installation. And, 5 months later, 1,450 retrofits had been completed with energy assistance funds at an average cost of $565, including administrative expenses.

To determine what the cost-to-benefit ratio could be realized by a retrofit program in Minnesota, we contracted with IHD to perform a comprehensive evaluation of a subset of the completed retrofits. The evaluation included 145 of the homes that had received retrofits during the summer of 1982. The results of that evaluation indicate that oil-fired heating system retrofits provide four times more energy savings benefits than traditional building shell weatherization.

Based on the evaluation, each dollar spent on oil furnace retrofits returns 55 cents in benefits to the low-income recipients the

first year, while each dollar spent for building shell modification saves 11 cents. Now, applying that cost-benefit ratio to the total Federal budget available for conservation activities produces pretty staggering results.

If the total appropriation for DOE weatherization and the 15 allowable for conservation under the LIHEAP block grant this year were combined and spent exclusively on retrofits, the Nation's poor would realize energy cost savings in excess of $289 million annually. Expending this combined budget on building shell weatherization alone would reduce energy costs by only $58 million, or 80 percent less than the savings from retrofits.

The success of the oil burner pilot and the documented superior economics of this conservation activity caused Minnesota to incorporate the technology into the State's Weatherization Program. With funds available for conservation from the LIHEAP block grant, retrofits are first priority for oil use homes. The approximately 4,000 retrofits completed to date in Minnesota will reduce energy costs for low-income Minnesotans by $1 million annually.

There are at least two exciting side effects to this program that we think are tremendous advantages. First, the oil dealers are among the program's most avid supporters. Because a customer can more easily afford to pay their heating bill after they have had their heating system retrofitted, they continue to heat with oil rather than converting to a different energy source. And second, administrators of local programs are enthusiastic about the program.

The CAP agency's goal is one of aiding people to become self-sufficient, and the local staff, thus, are very impressed by the Retrofit Program because of its immediate and significant energy savings.

The local administrators are also pleased with the program's uncomplicated delivery plan and the built-in monitoring component.

As I said, Minnesota is currently operating a pilot project to test the viability of retrofitting gas heating systems. We will complete 600 installations by this summer, and we will also evaluate that project.

Our experience with these new technologies proves that it is feasible for energy assistance and weatherization staff to develop and to implement more effective conservation efforts, which greatly increase the cost-benefit ratio of these federally funded low-income programs.

To improve the existing Weatherization Program, we would urge that immediate action be taken to ensure the adoption of S. 1953. This legislation proposed by Senator Heinz, and known as the Weatherization Act of 1983, would give States increased flexibility in selecting retrofit measures and would provide funds to test innovative energy conservation technologies and options.

Thank you, and I would be happy to answer questions.

Senator PRYOR. Thank you very much. Also, I think you have an attachment to your statement relative to—I believe it is a study, an evaluation, of Project Retrofit, and that will be made part of the record, for our colleagues and staff to examine.[1]

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[1] See Appendix.

Ms. POST. Thank you.

Senator PRYOR. We are very appreciative, and we will hold our questions until the other panelists have completed their statements.

Senator PRYOR. Geoff Green, from the State of Maine. Geoff, we are proud that you are here this morning, and thank you.

STATEMENT OF GEOFFREY GREEN, EXECUTIVE DIRECTOR, YORK COUNTY COMMUNITY ACTION ORGANIZATION, SANFORD, ME

Mr. GREEN. Thank you, Senator.

My name is Geoffrey Green, and I am executive director of the York County Community Organization of Sanford, ME. I am representing the National Community Action Foundation of Washington, DC. Its members, the community action agencies, are the subgrantees for 85 percent of the DOE Weatherization Program.

Our agency in Maine will weatherize 600 units this year, and we have 3,560 households on our waiting list.

Senator PRYOR. How many households did you say?

Mr. GREEN. There are $3,560.

Senator PRYOR. What is the average waiting time per household for services rendered?

Mr. GREEN. It depends on what type of household it is. We do have a priority system. It can be as long as years, especially for households that are lower priority than elderly households, for instance. Forty percent of the recipients of our services are elderly, though only 17 percent of the eligible population is elderly. We believe that energy efficiency is increased by an average of at least 20 to 25 percent a year, which means average savings of about $300 for each household each year.

About one-third of Maine's funds come from the energy assistance block grant, and $1 million of the $9 million total is appropriated from State funds.

At this time, I would like to introduce some pictures of a unit that we just completed weatherizing, in fact, yesterday, and also some case histories pertaining to recent weatherization work that we have done. And item No. 3 on this list pertains to the unit that you have pictures of there, Senator.

Senator PRYOR. Thank you, Mr. Green.

Mr. GREEN. Mr. Chairman, the legislation offers many welcome changes in the program, as does the House-passed bill. Enactment of these reforms will make a fundamentally sound program more flexible, more suited to local housing and weather conditions, and thus much more effective.

I would like to briefly address those crucial changes which one can really only appreciate if one has run a program under the existing constraints. None of these are accomplished by the new DOE rules.

Eliminating the $150 million limit on repair costs is a long overdue recognition of the dilapidated nature of the eligible housing stock. I have provided the committee with photographs of units that we have completed. You can see that we need to be able to fix

gaps around windows and pipes and holes in the roofs, and so forth, to keep the new energy improvements intact and effective.**

Raising the allowable expenditures by establishing the $1,600 average is critically important because of the wide variation in units. Some can realize far greater savings if more investments are made. Of course, the new furnace improvements authorized will require more expenditures, but these improvements can be the largest single source of energy savings.

Eliminating the inflexible ratios between the materials and labor means that weatherization crews can select the package of measures that achieves the highest payback If they find a real need for labor-intensive measures like furnace repairs, then they are not required to add equipment in order to justify the work.

In Maine and other cold States, we always need lots of insulation and glazing and calking, so the problem is less acute; but in milder climates, this is not always the case.

The increased flexibility regarding heating system improvements is critically important. In Maine, the very limited amount of State funds we have have enabled us to address heating system improvements when necessary, as long as the funds last.

We check the heating system on all the units we weatherize and improvements range from a $40 tuneup to a $300 burner replacement to as much as $1,600 for a complete heating system replacement, which is very, very rarely done.

Mr. Chairman, I am submitting for the record evidence of the tremendous need for weatherization on the part of the elderly, and for the modest, but welcome authorization increases in the very helpful legislation being proposed today.

The community action agencies look forward to working with this committee and its staff on passage of this important measure.

I thank you very much.

Senator PRYOR. Thank you very much, Mr. Green. The entirety of your statement will be placed in the record, and we are very appreciative today of you being with us. We may have some questions in a few moments.

[The prepared statement of Mr. Green follows:]

PREPARED STATEMENT OF GEOFFREY GREEN

My name is Geoffrey Green and I am executive director of the York County Community Action Organzation in Sanford, Maine. I am representing the National Community Action Foundation, the legislative representative for the Nation's 930 community action agencies. Community action agencies are the subgrantees for 85 percent of the DOE weatherization program.

Our agency will weatherize 600 units this year and we have 3,560 households on our waiting list. 40 percent of our recipients are elderly, though only 17 percent of the eligible population is elderly. We believe energy efficiency is increased by 20 to 25 percent a year, which means savings of about $300 for each household each year.

Maine has one of the first and oldest programs of weatherization. Forty thousand units have been completed since 1973. The States' waiting list is still 25,845 households strong. 35 percent of units completed are elderly units, double the percentage of the elderly in the eligible population. About one-third of Maine's funds come from the energy assistance block grant and $1 million of the $9 million total is appropriated from State funds.

The Weatherization Act of 1983, S. 1953, provides an intelligent approach to improving a program that has already proven itself to be useful, cost-effective and des-

** Photographs retained in committee files.

perately needed by the elderly poor. The DOE program works, and has unquestionably been improved by the recent rules changes. It does not yet permit enough flexibility to those of us who are actually out there in peoples' attics and basements to do the job so as to maximize energy efficiency and quick payback of the federal investment in every case.

The emphasis on heating system improvements focuses on the most important source of energy savings. While a few States allow the use of LIHEAP funds for furnace work, most do not. Few have been able to make the major commitment of State funds for this purpose that my State of Maine has. In fact, the keeping of double or triple books for each weatherization project to keep DOE funds separate from funds used for major heating system work is a serious and somewhat irrational problem for overtaxed local operators who only get 5 percent for administrative costs. And it should be noted that the growing desperate need for fuel bill payments is steadily eroding the availablility of LIHEAP funds.

However, the importance of furnace improvements cannot be overstated. Combined with insulation, efficiency improvements of the heating system can mean savings of up to 30 or 40 percent in a unit. It is foolish and short sighted to leave antiquated or even dangerous old equipment in a unit while making a major investment in insulation. While DOE's new rules are a signficant advance in flexibility, your legislation permits wider choice of equipment and techniques. While it must be recognized that these innovations mean funds are needed to purchase and install them and, especially, to retrain workers, the payoff will be very high to the low-income household. Usually, we will not replace entire heating systems because of the disproportionate costs; it is the flexibility to install equipment as justified by savings which is the crucial element. Indeed, your reforms in the permissible expenditures per unit are a critical element of the package. The higher average cost is an appropriate recognition of both the rising costs of the newly permitted improvements and the highly variable nature of the low income housing stock.

It is realistic to make major investments in a very dilapidated unit in a cold climate belonging to a very elderly person and achieve possibly life-saving energy efficiency improvements which pay off in 3 to 5 years, while a less destitute household in an apartment may achieve similar savings with a much smaller expenditure. The professional judgment of the auditor and work crew based on standards of payback of investment and household need out to be, as they are under your legislation, the ultimate arbiter of the "package" of conservation measures.

Seven years of being impeded by rules made in Washington which often seem to have little bearing on the attic of the home in which we are standing has taught us the need for flexibility. Like Congress, CAP's want to help as many of the poor as possible. It is not in our best interest to "gold plate" one unit and ignore another; like you, we intend to do the best job in the interest of reducing bills for the largest number of people.

I am submitting for the committee a study performed last year for the National Community Action Foundation and the New England Community Action Agencies by the firm of Eisenberg & Power which, first, reviews available technical studies and shows that increases in any investment, especially in heating systems, provide the most reliable savings and, second, illustrates the immense national variation among eight weatherization programs which have been judged by DOE and the States to be equally effective national "models." This wide range of "correct" ways to meet the energy needs of different parts of the Nation's low-income population is the real reason we need the flexibility S. 1953 provides.

Another crucial improvement in the legislation is removing the limit on repair costs. Because the poorest of the poor live in housing which is sometimes unimaginable to the average American, the building's condition may threaten the weatherization improvements installed. If the roof, doors, windows and/or skirting do not fit, insulation can be destroyed. Maine has appropriated some State funds to make repairs to protect or enhance the conservation measures because the $150 limit is too arbitrary to cover all units' legitimate needs. These funds always run short. The Federal program must recognize the real nature of the eligible units and permit those repairs essential to protecting the Federal investment.

Eliminating the inflexible ratios between materials and labor means that weatherization crews can select the package of measures that achieves the highest payback. If they find a real need for labor intensive mesures, like furnace repairs, then they are not required to add equipment in order to justify the work. In Maine and other cold States, we always need lots of insulation and glazing, so the problem is less acute, but in milder climates this is not always the case. For example, sometimes a storm window must be hand made to fit units that are no longer really rectangular, and the labor can far exceed the required materials, while remaining well

below the overall ceiling. The audit instrument with followup inspection should determine the package of measures which will make permanent energy efficiency improvements to the unit. Your legislation permits this needed degree of rationality.

Mr. Chairman, the National Community Action Foundation will submit for the committee's record a detailed review of each provision of your legislation, as there are many important points that should be discussed further, including the coordination between energy assistance and weatherization, some of which has been achieved by the State of Maine, the flexibility in eligibility levels and the innovative training and demonstration efforts included in your package.

I would like to comment on the authorization levels in your bill. As you know, your fiscal year 1985 authorization of $270 million is just 8 percent higher than the $245 million program for fiscal year 1983 which will close at the end of this month (because of DOE's unusual program year cycle). In the most recent winter quarter report, we were spending at a rate close to your authorization level, or $260 million a year, without extensive heating system improvements. The latest DOE figures, shown below, indicate that, at the bill's authorization level, current activities will have to be reduced if we take on some of the activities authorized in your bill and the House-passed measure.

CAP's will have to cut back work force and completions significantly when the $190 million fiscal year program starts up. As you well know, cutbacks are part of the recent history of our program.

In the past, expenditures and production rates have been twice as high, as the table below shows:

DOE WEATHERIZATION FUNDS

[Dollar amounts in millions]

Calendar year	1980	1981	1982	1983 ends Mar. 31, 1984	1984 begins Apr. 1, 1984
Appropriated	$199	$175	$143	$245	$190
Outlays (includes carryover)	[1] $238.6	[2] $232.9	$150.6	[3] $23	
Units completed	311,268	249,370	154,370	[3] 20,000	

[1] Materials and program support. CETA (DOL) paid labor.
[2] Materials, program support and small percentage of labor CETA paid most of labor.
[3] Per month.

Weatherization activities were reduced much more than simple appropriations indicate because DOE and LIHEAP funds have to cover labor previously covered by CETA. The current programs, even with LIHEAP transfers, are therefore, dramatically lower than capacity.

Labor costs typically range from 40 to 60 percent of material and support costs. Thus, while $238.6 million was available for materials and program support (e.g., stockpiling, van maintenance, delivery of workers and materials to site, etc.) in 1980, in 1983, only about $125 million in DOE funding was available for these purposes—the rest having to go for labor previously funded by CETA. If LIHEAP funding transfers are also considered, another $10 million may have been available to cover materials.

Many State programs are using reduced work crews or part-time crews to keep a program going all year at reduced levels so as to avoid a funding gap.

The program has already operated at a higher capacity than the one we are proposing. In the last months of 1980, the program was spending $35 million a month. On a yearly basis, that's the equivalent of $400 million. The finding was almost entirely devoted to materials and program support and does not include the CETA labor costs. The total outlay would have been $800 million.

In addition, greater flexibility accorded us under the new weatherization rules with regard to heating system repairs and retrofitting is most welcome. But without funding increases it means we have to make an impossible choice between adequate energy improvements to the building shell and efficiency of the heating system. S. 1953 allows even more heating system work, but with the reduced funding ceiling it means we have to do expensive but essential work with no increase in resources.

We are fully and painfully aware of the spending restrictions imposed by the current budget crisis and their impact on the elderly poor. We simply ask the Committee to recognize that the S. 1953 authorization levels are genuinely modest and must not be further reduced.

Finally, we feel strongly that overcharge funds should not be used to supplement regular program funds as the administration has proposed:

The "PORF" proposal does not remedy the activities of oil companies by making "restitution" to consumers who were overcharged. Instead, it takes funds, Exxon, Mobil, et al, have collected illegally from consumers and treats them as if they were regular taxes to be used by the Treasury for financing ongoing governmental activities.

It not only perpetuates the abuse, it does nothing to help the low-income energy programs. The administration proposes current levels for LIHEAP and weatherization, and just replaces on-budget funds with this off-budget device. To redress the wrong done by the oil companies funds should be added to low income programs as they were in fiscal year 1983 under the Warner amendment.

It puts our programs at a disadvantage in the long run because the first year that no more PORF funds are available LIHEAP and weatherization would have to rejoin the competition for on-budget funding from a position of having had little or none in previous years. These programs and the poor they serve have a tough enough fight already in the current struggle for scarce Federal funds.

Senator PRYOR. Our next panelist is Wallace Minor, from Philadelphia, PA.

Mr. Minor, we welcome you to this hearing today. We appreciate you traveling here from Philadelphia. We understand that you have an interesting story to tell this committee, of a personal situation in which you were involved. We welcome your statement.

STATEMENT OF WALLACE MINOR, PHILADELPHIA, PA

Mr. MINOR. All right. Good morning, everybody.

My name is Wallace Minor. I live in Philadelphia. I am 62 years old, and so is my wife. I have one kid. Her name is Priscilla.

Right now, our only income is a welfare check of $320 a month. I used to make a living as a house painter, but now I am unable to find steady employment in this field.

We live in a two-story, three-bedroom house in north Philadelphia. Early in January of this year, our oil burner caught on fire and filled the house with smoke and fumes. The fire department shutdown the heating system and told us we would need a whole new heater. We did not have the money to replace the heater, so we called the Heater Hotline at city hall, which helps poor people with heating problems.

The mechanic who came out from the hotline told us that our coal-converted heater could be fixed, but that it would need more repair work than he could do at the time. He said he was going to refer us to the Furnace Retrofit Program.

Then, a heating inspector came out to look at the heater. He wrote down some information and said that he would treat our case as an emergency. About a day or two later, another mechanic came out to make the necessary repairs. We had heat only 2 weeks after we first called the Heater Hotline

I did not know that the repairs were being paid for by the Fuel Assistance Program, but it seems to make a lot of sense. After all, what good is fuel assistance if your heating system does not work, and you cannot afford the repairs?

Up until the time the fire occurred, we did not have much trouble with our heater, but I knew that old burner really used a lot of oil. It seemed that during the cold months, we would go through about one tankful of oil a month, and our oil bill ran about $800 a year. Now I definitely have noticed a difference in our oil bill.

The inspector who tested the heater's efficiency after the new oil burner was installed said that the heater was 80 percent efficient and that we could save at least 20 percent on our fuel bills. Last month, we only burned about two-thirds of a tankful of oil.

My wife and I are very satisfied with the service we received from the Retrofit Program. I hope that by coming here, I can help others to receive the same benefits.

Thank you.

Senator PRYOR. Mr. Minor, by coming here, your presence today, perhaps, will help others, and help give us some guidance as to how these programs are working. And in a few moments, if I might, I might have a question or two about that experience that you did have there in Philadelphia.

Our next witness on our panel is Carol Werner, the National Consumer Law Center representative.

Carol, we are very appreciative of you coming this morning.

STATEMENT OF CAROL WERNER, NATIONAL CONSUMER LAW CENTER, WASHINGTON, DC

Ms. WERNER. Thank you, Mr. Chairman.

I would like to thank you for the invitation to testify about the Low-Income Weatherization Program. It is very important to the low-income and elderly clients whom we represent.

Although the costs of energy have continued to climb, and the energy bills of low-income households are putting literally millions of homes into crisis situations each year, because they simply cannot afford such a high-priced necessity, the energy issue has still been put on the back burner. Therefore, we are glad that this hearing is being held to explore ways to make the program better and to call attention to the urgent need for the kind of long-term help this program can provide.

The testimony that we have submitted for the record is divided into three parts: a discussion of our work in studying the Weatherization Program under our Ford Foundation grant; our comments pursuant to S. 1953, the bill pending before the Senate; and a presentation of our views in opposition to the administration's proposal for a Petroleum Overcharge Restitution Fund.

Many of the key improvement areas we found in the course of our Ford work and in response to our close monitoring of the program on behalf of our low-income clients have been addressed in S. 1953. Some of those areas are: the need for program stability and a commitment through a multiyear authorization at funding levels above current operations; a commitment to rental housing and provisions to encourage innovative approaches to the weatherization of multi-family rental units. Without this, more valuable time is lost in dealing with this problem, which affects millions—about half—of the eligible population for the Weatherization Program.

We also believe that there needs to be an increased emphasis, as S. 1953 does, on energy savings, and using this as a key component in the goals and evaluation of the program.

To just mention a few of the other important provisions of S. 1953 which we also support, are the removal of the $150 repair limit, which has been very arbitrary and has been a terrific im-

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pediment to the program; the importance of consumer education for households receiving weatherization; flexibility in the kind of energy audit utilized, so that coordination with the residential conservation service audits and other PUC-ordered audit procedures can occur; improved language on technical assistance, training, monitoring, and information dissemination.

We also strongly support in the bill the increased emphasis on mechanical heating system improvement and believe that this should be an important part of a rejuvenated weatherization program.

Our testimony also makes some recommendations for changes in S. 1953. For example, we believe that all weatherization jobs should be inspected, not just 50 percent of them. Quality control is a vital concern, and this is the only way to ensure it.

We believe that DOE should be able to add new weatherization measures to the approved list of measures, without having to go through rulemaking, as the current law requires. We see this as a time-consuming and unnecessary process.

We would prefer that the bill set a higher maximum rate of expenditure per dwelling—for example, as the $2,000 in the bill that passed the House—and allow DOE a waiver option, when needed, to go above that, where justified, rather than just using an average expenditure level.

We believe that use of an average has the potential to be abused and to be discriminatory in its application, and unless it applies to the funding for the multifamily program component as well, we believe that the bill should not allow more than 2 percent of an annual appropriation to be spent for field-testing of methods and materials. In any event, we feel that that language should be clarified.

Our most important concern is what we view as the inadequacy, however, of the proposed authorization levels in the bill. If average expenditures are maintained, even at the end of 3 years, only about 300,000 homes could be reached annually; yet 7 million households—about a third of the nationally eligible population—are currently receiving energy assistance benefits, while only about 1.2 million households have been weatherized since the inception of the Weatherization Program at DOE. We think it is important to establish a goal of weatherizing all eligible homes where it is feasible, within the next decade, and to fund the program more in line with accomplishing that job.

We all know the importance of the Weatherization Program and the tremendous wide range of benefits that are provided by the program. We would urge that Congress look at this issue for the long term, rather than reacting only to the crises of today. Otherwise, for many, especially the elderly, help will come to late.

Last, I would like to summarize our concern about the administration's proposal to establish a petroleum overcharge restitution fund and to fund energy assistance weatherization in the schools and hospitals program through that.

We oppose this, as we believe that oil overcharge funds are consumer dollars for which the Government is serving as trustee. As such, the overcharges should be returned to the consumer and should be seen as a supplement rather than being used to supplant

existing energy programs or activities. By using the funds to supplant, consumers receive no added benefits from the recoupment of the oil overcharge fund, and in fact, such a proposal is tantamount to the imposition of an additional unauthorized tax upon consumers.

Furthermore, it is very unclear how much money will be available, or when funds will be available. Certainly, $2 billion will not be available for fiscal 1985, as suggested in the budget.

That concludes my remarks about this program at this time, but I would also like to submit a statement on behalf of the Energy Conservation Coalition, of which we are a part.

Senator PRYOR. We welcome that statement from the coalition. We welcome your presence and your statement, Carol. In a moment, I will have a couple of questions.

[The prepared statement of Ms. Werner follows:]

PREPARED STATEMENT OF CAROL WERNER

Because of the National Consumer Law Center's long-term interest in low-income weatherization and its great importance to the low-income clients whom we represent from around the country, we welcome this opportunity to testify before the Senate Committee on Aging. The testimony which follows is divided into three basic parts:

(1) A discussion of the center's work and findings on low-income weatherization issues, which was sponsored by a grant from the Ford Foundation.

(2) Comments on the low-income weatherization bill (S. 1953) pending in the Senate; and

(3) An outline of the center's opposition to the administration's proposal to establish a "Petroleum Overcharge Restitution Fund" for the purpose of receiving all recouped oil overcharge funds and using this fund as the means for financing the low-income weatherization program, the low-income energy assistance, and the schools and hospitals conservation program.

THE ENERGY PLIGHT OF THE POOR

The committee hardly needs a detailed analysis of the energy plight facing the poor. Let me, however, briefly sketch the situation to put our concerns in perspective. In the last 10 years the cost of home energy has soared, increasing much more rapidly than inflation. The retail price of heating oil has increased by a factor of six since 1973, and natural gas prices have more than quadrupled during the same period. By contrast, the CPI increased by roughly 125 percent during this period. The poor are, of course, hit hardest by these increases, as energy claims an increasing large portion of the low-income household budget.

Though the poor consume considerably less household energy than the "average" American household, they spend roughly four times the percentage of their income on energy as does that average American household. For many poor families in northern States, monthly winter heating bills exceed monthly income. The condition of their housing stock is at the heart of the dilemma facing the poor. Not only does low-income housing lack basic weatherization, but much of it is also old and difficult to retrofit. In many cases these homes need substantial repair work, or extensive rehabilitation to support even minimal energy conservation improvements. This is particularly so of housing occupied by the elderly. Yet, low-income households, either unable or barely having the funds to pay their fuel bills, lack the funds to weatherize their homes, no matter how cost-effective it may be. Further conservation of energy in such households can generally now come only through investment in energy efficiency improvements. Otherwise, further reduction in energy consumption by low-income households can result in risks to the life, health, or safety of the household. Moreover, a significant number of the poor, probably approaching half, are renters and thus have a limited incentive to make capital improvements to help conserve energy. And while the HHS energy assistance (LIHEAP) program helps, the level of assistance is rather modest, and is provided at a recurring annual cost to the U.S. taxpayer. This roughly $1.875 billion program is still reaching less than 35 percent of the nationally eligible households, and provided an average benefit of $197 last year. With average low-income home energy bills over $1,000 in half the

States this year—a figure developed by a new center study on energy costs and the poor which will be released shortly—LIHEAP is hardly providing a solution to the problem. To illustrate, low-income New Yorkers will spend an average of roughly $1,340 on home energy this year. The average LIHEAP benefit will be only $200. Moreover, national trends have been worsening as the number of households in arrears on utility bills, the average size of arrearage, and the number of households either terminated or at risk of utility shutoff have been climbing relentlessly. It is clear, then, that some more permanent aid, in the form of assistance to reduce consumption through conservation, is desperately needed.

THE CENTER'S FORD FOUNDATION PROJECT

Because of the expected continued shortfall of energy assistance and the consequent importance of weatherization assistance to our clients, the center has long had an interest in the operations of the DOE low-income weatherization program. Hence, over the years, we have monitored the program's progress, worked for legislative reform and consistently provided DOE with suggestions on how the program could be improved administratively. The intensity of our monitoring and analysis, however, increased considerably when, in 1981, we received a grant from the Ford Foundation to support center work in the area of low-income conservation programs. In addition to general writing and advocacy in the conservation field, the Ford grant has supported substantial research and analysis, which is currently being reduced to a two-volume report, the first volume devoted to a review of current programs aiding, or with the potential to aid, low-income households weatherize their homes, and the second volume posing and analyzing various program options applicable to the low-income conservation effort. We will be happy to provide the committee the results of our work, upon completion. Let me, however, review briefly our work under the grant and the nature of our findings, to date.

From mid-1981 to early 1983, the center investigated a wide variety of government and private energy conservation programs available to low-income families. Our efforts entailed, among other things, a survey of weatherization program operators, community groups and advocates on the adequacy of the Federal Government weatherization effort, extensive interviews with Government officials, and in-depth study of one, largely urban program, and extensive research into government and private conservation efforts.

Although there are numerous programs throughout the country to promote energy conservation, most are designed to benefit middle and upper income consumers. Of those that focus on assisting low-income consumers, only the Department of Energy's low-income weatherization program—now supplemented by funds taken from the low-income home energy assistance program, and generally expended through the DOE program's format—has the potential to make a significant impact on the energy crisis facing the poor.

OTHER FEDERAL CONSERVATION PROGRAMS

In our survey, we took a look at a wide variety of Federal conservation programs, or programs with conservation potential, run by different agencies. None of them provided a real substitute for the DOE weatherization effort, although a number have real potential for conservation on their own, or as a supplement to the DOE program. For example, the community development block grant program, touted as a possible alternative to low-income weatherization early in this administration's term, has too little funding for its traditional areas of operation, and, in any event, competition for funding priority from other worthy local efforts, already getting that funding, would be hard to beat. In short, CDBG cannot be looked to as a major source of weatherization funding but its funds can provide a valuable supplement to the DOE effort in some local areas. Similar limitations apply with respect to programs operated by the Farmers Home Administration to aid in the rehabilitation and construction of residential dwellings in rural areas. In addition, most of these funds are loan moneys, carrying with them another restriction on participation by the poor. The remaining Federal programs, such as the Energy Extension Service and the State energy conservation program, are modestly funded and, to date, have been of limited value to the poor.

STATE-FUNDED LOW INCOME CONSERVATION PROGRAMS

Under the Ford grant, we also looked at State efforts. We found that while a number of States had conservation assistance programs, most were designed in a way that effectively excluded low-income participation. Of those State programs

that were specifically earmarked for the poor, most of these were supplements to the DOE program, used to circumvent rigid DOE program regulations. Further, with recent State revenue shortages, most of these programs have been discontinued.

UTILITY-FINANCED CONSERVATION PROGRAMS

We also looked extensively at utility-financed conservation efforts. Our survey of State utility commissions indicated that many are considering programs where utilities offer inexpensive conservation financing to their customers. This concept, which has received widespread attention in recent years, may not adequately serve low-income consumers. Although there are now some notable exceptions, most of the more substantial utility conservation programs currently in operation have designs that effectively limit low-income participation, in large measure because they operate through a loan interest subsidy only. Credit tests, exclusion of rental units and insufficient low-income outreach are limitations on the usefulness of many of these programs, as well. There have been, however, through the Tennessee Valley Authority and other utilities some successful attempts to reach out to the poor. These programs offer promise, but they are only a narrow base, with limited geographic coverage.

THE DOE PROGRAM

Because of the shortcomings in these other resources, the center has focused its primary attention under the Ford grant on the DOE's weatherization assistance program, the most substantial Federal effort to provide energy conservation directly to the poor. Since it began operations in 1976, the program has provided insulation, and other weatherization measures to approximately 1.2 million households, resulting in estimated fuel savings ranging from 13.8 to 33 percent for these households.

In its early years, the program did not achieves its full potential. This underachievement can be traced, we believe, to the inflexibility in the program's status and administration, and to some extent to the differing philosophical roots of the authorizing legislation. Weatherization was conceived with several different, and at points conflicting, policy objectives (energy conservation, poverty assistance, housing rehabilitation, and employment and training), with the resulting confusion significantly detracting from overall effectiveness. And, while conceived in significant measure as a block grant, the program's statute placed substantial restrictions on State and local initiative, thus frustrating that initiative. DOE's regulations and practices in the early years simply accentuated the problem.

In our Ford work, we traced the history of the program, from its roots after the Arab oil embargo. Sponsored initially in 1975 by the Office of Economic Opportunity (later to become the Community Services Administration) and continued there through 1978, the weatherization program was moved to DOE in 1977. Authorized by the Energy Conservation and Production Act (ECPA), the DOE weatherization program's funding increased from $27.5 million in 1977 and $65 million in 1978, to $199 million annually in 1979 and 1980. Funds were decreased in 1981 to $175 million and to $144 million in 1982, with an increase to $245 million in 1983, and a drop to $190 million this year. During this latter period, the program has been under constant attack by the Reagan administration, which has sought to bring it to an end. Not surprisingly, our Ford inquiry indicated that this volatile funding level, and the recent efforts to terminate the program, have created very real problems. Staffing at all levels has already suffered, as has a critical sense of continuity and morale as the government has radically changed funding levels and support for the program. More importantly, the funding level seems totally divorced from need, both in terms of households unweatherized, and in terms of the size of energy bills received by uncovered households. It is also divorced from considerations of program capacity. In late 1981, the program hit a production level of $400 million a year (made possible by significant unspent funds from prior years), only to be forced rapidly to cut back operations as funding dropped. Such fluctuation obviously make solid program management, maximum program efficiency, and a stable, skilled work force very difficulty (if not impossible) to maintain.

The program seems now to be running quite smoothly and effectively. But it has not been an easy process. The quality of the work, a shortfall in the amount of energy actually saved, inadequate financial management and program monitoring, and failure to adequately reach rental units have been some of the more serious shortcomings of the program. Some of these problems have been tackled, such as the early ruling that CETA labor must be the source of manpower, despite the unavailability of CETA slots locally. Others remain, some of these rooted in the rigidi-

ties of the statutory or administrative scheme. We are happy to see that DOE has addressed some of those problems in its recent regulations. Others must be dealt with in the statute.

For example, our analysis of the program repeatedly brought us up against the $150 repair limit—a limit which almost everyone views as an arbitrary bar to useful weatherization of many units. Similar, although less vocal criticisms have been raised about the ceiling on expenditures per dwelling. The statute also fails to provide for a required educational component, aimed at ensuring that assisted households know how to most fully capitalize on the weatherization aid provided.

One of the other major problems facing the program is that of rental housing, a failing repeatedly brought home to us by our Ford work. Although the fault does not lie directly in the statute, it now appears clear that statutory directives may be necessary to break the cycle of program failure here. While the greatest concentrations of low-income households are found in urban areas, and while approximately half of the poor live in rental housing, the program has generally failed to reach these important subgroups. NCLC's analysis found three common reasons given by program operators for the difficulty in this area: (1) Rental weatherization requires landlord cooperation which is difficult to obtain; (2) multifamily units present unique technical and administrative problems; and (3) most agencies have long waiting lists of eligible owner-occupied homes, which are easier to process. Although some urban agencies in fact operate successful large-scale weatherization projects in conjunction with public housing authorities, or in some instances with a major landlord, they are the exceptions.

Finally, progress in improved energy efficiency under the program has been inconsistent, within local programs and across the country. Our Ford work indicates that the sources of this shortcoming are multifold: automatic installation of weatherization measures beginning at the top of the DOE checklist without careful consideration of the dwelling unit's specific needs; shortcomings in monitoring and evaluation, both of individual work and local programwide results; inadequate technical assistance and monitoring by DOE; the arbitrary repair limit, etc.

This Ford Foundation-funded work, reinforced by the current political restraints on a thorough revamping of the weatherization effort, has led us to believe that a rejuvenated DOE program offers the only realistic hope—and an important hope—for a significant low-income conservation effort.

COMMENTS ON S. 1953, THE "WEATHERIZATION ACT OF 1983"

The National Consumer Law Center commends Senator Heinz and the bill's cosponsors for introducing this important legislation. It addresses numerous areas which are key to an improved program design as well as improved overall program performance. It does so by clarifying the program's intent, through strengthened monitoring and uniform reporting language, through increased flexibility in allowable measures and techniques, and perhaps most important, by providing some needed stability in funding that has been sadly lacking in recent years.

Since the introduction of S. 1953 and similar legislation (H.R. 2615) in the House last year, the Department of Energy engaged in a rulemaking which finally addressed administratively some of the problematic areas the proposed legislation also addresses. The rulemaking has generally received very positive reviews and was certainly much needed and much welcomed. For example, the final rules issued by DOE on January 27, 1984, finally allow the use of funds to provide consumer conservation education to those whose homes are weatherized.

As a result of our Ford Foundation sponsored work, we found many program advocates who felt this was a critical component of providing effective weatherization services and that its omission was one of the largest program design shortcomings. With conservation education, households would learn how to maintain the quality of and how to best utilize the energy efficiency improvements that had been made. The program is certain to achieve better energy efficiency overall in weatherized dwellings if residents better understand how energy is used and how to properly care for the improvements that have been installed. S. 1953 would provide clarity in the statute on this issue which would support DOE's recently adopted position on conservation education.

Another issue which had been a perennial problem was the inflexibility of Project Retrotech, the energy audit/measures package required by DOE. Numerous programs and States had complained that it was no necessarily the most effective way to proceed with all homes in their area. Other programs simply followed the list of measures provided without asking the question of appropriateness and without taking advantage of what flexibility did exist. They would get as far down the list of

approved measures as they could until their respective dollar limit was met. With the implementation of the Residential Conservation Service program (RCS), it soon became very clear that RCS was not reaching low-income people although they were helping subsidize the program through the rate base. As resources available for weatherization shrank in real terms, and this impact was compounded by the loss of CETA labor, which added a substantial new labor cost component to the program, it became clear to the center and others that both the weatherization and the RCS programs would be enhanced if there was linkage between them. That flexibility—to utilize the RCS audit system in the weatherization program—is now allowed in DOE's new regulations as well as in S. 1953. Where RCS audits are used, a significant cost savings can accrue to the weatherization program. In addition, both the bill and regulations language allow alternative audit procedures to be developed and used by States, so long as they receive DOE approval. This represents a very positive step for providing more locally appropriate energy auditing procedures.

S. 1953 also places an important emphasis on training of staff at all levels of the weatherization program, as well as providing specifically for information dissemination throughout the program. Both of these matters have represented areas of weakness in the past, and yet both have obvious major roles to play if a national program is to attain maximum performance quality across the country. Too many times the successes or failures of approaches that have been tried in one area, are not transmitted to program administrators and local operators in any systematic way. Studies or evaluations of weatherization that have been done nationally or within States have not had a mechanism whereby that kind of helpful information is circulated within the program. Another weakness in the program has been the uneveness in the administration of the program at the DOE regional level. There have been considerable inconsistencies both in quality as well as in basic information transmittal and program interpretation from region to region. It would be our hope that this specific problem could also be remedied through the help of these provisions.

The removal of the rather arbitrary $150 repair limit from the statute is another very important provision of S. 1953. Our research found that many homes were not weatherized because repairs necessary to the roof, building envelope, wiring, or the furnace (or combination thereof) would cost more than $150, and effective, safe weatherization could not be done without those repairs first being done. An example is a major roof problem which would prevent installation of insulation unless the roof is fixed first. This repair limit has been a source of constant criticism for several years.

The proposed legislation also allows for replacement burners and boilers to be installed if necessary. Our research among program operators and the views of our clients both held that this is an important option to have available, and in some cases in which a system is "shot," it may be the most cost-effective option or the most necessary action for a given dwelling. Because of the considerable expense involved, we would recommend that it not be seen as a priority option, but more as a last resort option.

We are also pleased that there is an increased emphasis on dealing with low-income rental dwellings and direct encouragement of testing alternative approaches to rental housing through the establishment of a multifamily program component in the legislation. DOE took some steps forward on this issue in its final regulations; S. 1953 would provide needed increased support for further clarifying rental policy and for ensuring that work in this critical area is advanced.

NCLC also supports the establishment of a performance fund as put forward in S. 1953. In this manner, funds become an incentive for States to perform well. The performance fund also allows for some of the funds (which are still scarce resources given the enormity of the task) to be targeted to those areas in which they can most effectively be utilized on a timely basis. It would be our hope, however, that DOE would see as part of its job the need to work closely with all State programs to help ensure that the work at maximum capacity and effectiveness given the resources provided.

We also believe that increased attention is and should be paid to the whole issue of heating system repairs, modifications, or retrofits as significant energy savings are obtainable through such improvements and, depending upon the individual dwelling, may be a very important option to be utilized. The proposed legislation makes clear the interest of Congress in looking at mechanical energy efficiency improvements as a solid part of the weatherization program.

RECOMMENDATIONS FOR CHANGES TO S. 1953

Although NCLC is in strong support of the general direction of S. 1953 and most if its provisions, there are a few areas in which we would suggest changes which we believe would strengthen the bill and its ability to deliver quality weatherization services to low-income households.

S. 1953 requires that States develop procedures whereby at least 50 percent of all weatherization jobs would receive a post-installation inspection. However, the final rule issued by DOE on January 27, 1984, requires States to provide for 100 percent post-installation inspections, and we strongly support such a requirement. The proposed bill should not be weaker than current regulations. In the past, quality control has sometimes been a problem; inspection of all jobs completed is the only way to ensure quality control.

Current law (section 412(9)(G)) currently requires that other "insulating or energy conserving devices or technologies" may be added by DOE to the approved list of "weatherization materials" only "by rule, after consulting with the Secretary of Housing and Urban Development, the Secretary of Agriculture, and the Director of the Community Services Administration." The language underscored above should be deleted from current law. Such an amendment would provide incerased flexibility for the program and would be beneficial to local programs, the States, and DOE. A common complaint in the past about the program has been its rigidity. A requirement that no additions to the prescribed list can be made without a rulemaking greatly circumscribes any attempt at innovation or responsiveness to new energy-efficiency developments. Rulemaking would be a time-consuming and costly process and is unneeded for such changes. DOE should have the flexibility to respond to State requests and to themselves introduce the use of other measures as the need/opportunity presents itself. Furthermore, since DOE is in charge of program administration and is the body which should be the repository of energy conservation developments, formal consultation with the other named agencies should no longer be required by law. Such involvement is unnecessary and would slow down program responsiveness for no clear gain. (And, of course, CAS no longer exists.)

The bill also provides that "not less than 2 percent of the sums appropriated" each fiscal year should be utilized for making grants to local agencies "to carry out field testing of promising energy savings methods and materials" (Section 6 (c)). We believe that the language should read not more than 2 percent should be utilized. Otherwise, DOE is mandated to commit a sizable sum of money each year regardless of what projects may or may not be important candidates for field testing. If this language is intended also to compromise the funding for the multifamily rental program component, then the language of this provision should be so clarified.

S. 1953 also provides that the average expenditures per dwelling unit should not exceed $1,600. We have some concerns about this and would prefer to see a higher maximum rate—at least $2,000—allowed per dwelling, and perhaps to allow DOE to exercise a waiver option if there were particular situations where local program felt that a higher expenditure than the allowable maximum was justified. To establish an average expenditure level could well mean that some homes could end up with a $400 job regardless of what was needed because a decision was made to spend $4,000 on some homes. Use of averages in such a way could clearly become abusive and discriminatory and raise serious equity questions about the delivery of needed services to poor households.

The last area we wish to address in S. 1953 is the most major area of concern. While we welcome the stability of a multiyear authorization with increased authorization levels and the requirement that DOE provide an overall assessment and plan for the program for the 3-year authorization period, we believe that the bill does not adequately address the need that exists for this program or the fact that the program has the capacity to operate at a much expanded level from that provide by S. 1953.

The weatherization program demonstrated its capacity to operate at an annualized rate of $400 million in late 1980. During our research of this program, States indicated to us they would not have difficulty doubling—and some said quadrupling—the size of their program in a relatively short time if they knew there was a steady commitment of funds. In addition, with the loss of CETA labor, the labor expense component of the program increased substantially, making it more expensive to maintain existing program capacity. So, we are convinced that the program capacity for significant expansion is there.

We also know that at current rates it will take over 50 years to weatherize the estimated remaining eligible dwellings. With greater and greater need for energy assistance being demonstrated, with utility bill arrearages creating a mounting

problem, and with approximately 7 million households (only about 35 percent of the nationally eligible population) receiving energy assistance, the ability to reach approximately 200,000 low-income homes per year does not provide much solace to the millions of low-income households needing the kind of permanent help only an investment in weatherization can provide. Energy assistance provides only short-term relief and provides only nominal help in numerous states.

Weatherization is not the entire answer, but it is an extremely important part of the answer. The benefits that accrue to the household in need are clear and tangible: energy consumption can be cut, providing some insulation against rising energy costs (saving household dollars every year), as well as providing a greater degree of comfort and safety in the weatherized dwelling. This is a long-term investment that pays back year after year and provides a chance for the household to escape the cycle that keeps them in a crisis situation and to become more self-reliant in handling home energy costs. But the benefits of the program do not stop there. Saving of valuable, finite energy resources is in the national security interest. Plus, weatherization means that the ever-growing export of energy dollars can be curbed with more dollars available to spend locally for other essential goods and services. Weatherization also provides thousands of jobs across the country—and each employee creates additional tax revenue. Weatherization is also good for small businesses and manufacturers who provide the necessary goods and services for the program. And, of course, the improved energy efficiency provided through weatherization produces a large new source of clean, renewable, and much less expensive energy.

By allowing the weatherization program to proceed at its current pace, we are actually robbing ourselves and the households in need of the benefits that could be accrued in a very substantial amount every year. In the meantime, billions more dollars every year are being spent for inefficiently used energy, which do not generate local economy improvements or contribute to national energy goals but instead create a growing crisis miring douen more and more households. There is a well-deserved focus on budget deficits and fiscal restraint, but decisions made on programs—like weatherization—have a long-term impact and deserve to be made from a forward-looking perspective rather than a short-sighted look at only today. Given that nearly $2 billion is spent on energy assistance and that most people would say it is woefully inadequate to deal with the growing energy crisis of poor households, can we afford not to make a substantial investment in conservation improvements for these households. That is why we urge the committee to consider authorization levels which will begin to put the program more in line with the job that needs to be done. The program has shown itself to be effective and extremely important to the low-income elderly of this country, who have participated in this program in very substantial numbers.

PETROLEUM OVERCHARGE RESTITUTION FUND

I would also like to take the opportunity provided by this hearing briefly to address the manner in which the administration hopes to fund the weatherization effort this year.

In its fiscal year 1985 budget, the administration has proposed the establishment of a "petroleum overcharge restitution fund" (PORF), in to which the Department of Energy would presumably place all overcharge settlement funds and, presumably also all overcharge funds obtained through DOE litigation. From the PORF, which the budget claims will contain at least $2 billion by fiscal year 1985, the administration projects covering most of the requested fiscal year 1985 funding for the low-income weatherization program, as well as for the low-income home energy assistance program and the schools and hospitals conservation program. (The administration's budget figures for these three programs for fiscal year 1985 are identical to the current funding levels for fiscal year 1984.) The National Consumer Law Center, on behalf of its low-income clients, strongly urges congressional rejection of this proposal, for reasons outlined below. The center has asked Georgetown University Law Center's Institute for Public Representation to assist it in analyzing PORF from a legal and policy standpoint. We will be happy to provide the committee with the resulting memorandum. Act this point, the institute's research and analysis confirms the center's position on the following issues:

(1) The oil overcharge funds are obtained by the Federal Government in its enforcement role under section 209 of the Economic Stabilization Act (*see* 12 U.S.C. section 1904, Note). At the core of remedial action under section 209 is the concept of "restitution," a concept also further reflected in DOE regulations. It is the gist of restitution that ill-begotten gains be disgorged by the offending party and that those gains be returned to the rightful owner, to make up for the past injury. *Citronelle-*

Mobile Gathering, Inc., et al. v. *Edwards*, 669 F.2d 717, 722. (TECA, 1982), cert. denied 444 U.S. 879 (1982). The Temporary Emergency Court of Appeals held in the *Citronelle* case that deposit of oil overcharge funds in the U.S. Treasury is not restitution. It is also a firmly established principle of law that when precise restitution cannot be effected, the best among feasible steps approaching strict restitution should be selected.

(2) Oil overcharge funds are developed to remedy past injuries and they should be applied in such a way as to address those past injuries, not simply to back out current funds which would be appropriated by Congress for the ongoing needs of Federal programs.

(3) In passing the Warner amendment a year ago, and thus distributing $200 million in oil overcharge funds for use by the States in various energy programs, Congress was careful to recognize this principle, assuring that the funds had their impact above and beyond current appropriations by requiring that those funds be used to "supplement, and not supplant, funds otherwise available for such programs under Federal or State law." Section 155(c), Public Law 97-377.

(4) These are not Federal funds or general revenues under the appropriation power of Congress. They were developed by the Federal Government in its law enforcement capacity and it holds them as a trustee for the injured class or classes of purchasers. *Citronelle-Mobile Gathering, Inc., et al.* v. *Edwards*, supra, 669 F2d at 723.

(5) Appropriating the funds for its own governmental purposes would be a violation of the Federal Government's trustee responsibilities to the injured purchasers.

(6) Nor can the Federal Government take possession of these funds on some theory that they have not been claimed by those injured. Under Federal law, it is firmly established that there is no escheat of unclaimed funds to the United States.

(7) In summary, then, use of the oil overcharge funds as the administration proposes holds no added benefit to consumers; it in no way makes up for past injury; consumers simply receive what Congress would otherwise appropriate from general revenues. In fact, to treat them as the administration proposes is to see them essentially as an additional, unauthorized tax on consumers.

(8) There is nothing even approaching $2 billion in oil overcharge funds currently in the Government's hands, nor will there be such a sum by the beginning of fiscal year 1985:

(a) There may be a bit more than $400 million in overcharge funds currently at the Department of Energy, but much of that money is the subject of ongoing Office of Hearings and Appeals administrative proceedings, designed to identify injured parties or otherwise make distributions of residual funds. At best, only a portion of these moneys would remain unclaimed.

(b) While the *Exxon* case may have a face value above $1.8 billion, it is currently the subject of an appeal to the Temporary Emergency Court of Appeals by Exxon and various oil companies. *U.S.* v. *Exxon* (TECA No. DC-91 through DC-100). Court action is very unlikely to be completed by the beginning of fiscal year 1985. In fact, even if the district court order is left undisturbed, it seems likely that these funds would not be distributed to the States until well into fiscal year 1985. Moreover, it is quite conceivable that TECA, or the Supreme Court, could find either that Exxon did not violate the law or that the remedy should be set aside because various claimants are entitled to some of the funds.

(c) The only other major potential source of funds, the *Stripper Well* litigation (MDL-398, before the U.S. District Court for Kansas), could not conceivably produce funds before mid-fiscal year 1985, or perhaps fiscal year 1986. Moreover, the district court has made it clear that it will maintain control of the funds and determine their ultimate disposition. (In that process, it is seeking the advice of the Office of Hearings and Appeals.)

(9) With respect to these major DOE litigations, there may be a significant issue as to whether Congress can reach into an ongoing litigation where there is a final district court order, or step in after the conclusion of that litigation when the appeal is final, and alter a district court order which already provides a specific remedy and distribution of accumulated funds. This is particularly so when the funds at issue are not Federal Government moneys, but are private funds collected by the Government in its law enforcement/trustee role. This is one of the areas which the Center and the Institute are looking at with particular care, and will treat in detail in our forthcoming memorandum.

(10) The administration specifically declined to appeal the district court-ordered remedy in the *Exxon* case. It initially filed an appeal and then withdrew it. Its position in the *Exxon* case on appeal is that the district court was acting properly, within its discretion, in adopting a particular distribution mechanism for the *Exxon*

oil overcharge moneys. Having ultimately declined to appeal the district court order, the Administration is now seeking to "appeal" that decision through Congress. This fact, alone, raises significant questions (including a "separation of powers" issue) about the proposal.

(11) The Office of Hearings and Appeals claims procedure and process of determining what to do with unclaimed funds seem to be operating relatively smoothly. OHA is establishing a pattern and a reasonable set of procedures for administrative decisionmaking, and is gaining relevant expertise in the process. There is no particular value in interfering with that process at this point, just when it is "coming of age."

Senator PRYOR. Vita Ostrander, president of the American Association of Retired Persons.

Ms. Ostrander, I understand that, having worked closely with the AARP for a number of years, yours is perhaps the fastest-growing organization in the world. Is that correct?

Ms. OSTRANDER. Yes, that is correct.

Senator PRYOR. Well, it is certainly a fine organization.

Ms. OSTRANDER. By the time we have our 25th anniversary convention this year, we will be at the 16 million mark, we are very confident of that.

Senator PRYOR. I was very surprised the other day, when I read one of your ads, or heard it on the radio or TV, indicating that, come August 29, I will be eligible for membership in AARP. And I want you to know that I am not planning to join yet, but at the appropriate time, I may join.

Ms. OSTRANDER. Oh, you will be in good company. I will see that you get a membership.

Senator PRYOR. Thank you very much.

We are proud to have you here and representing those fine members that you have across the country. I understand that you succeeded Art Bouton, who was the past president, from the State of Arkansas.

Ms. OSTRANDER. I will in April.

Senator PRYOR. We welcome your testimony.

STATEMENT OF VITA OSTRANDER, WASHINGTON, DC, PRESIDENT, AMERICAN ASSOCIATION OF RETIRED PERSONS

Ms. OSTRANDER. I would like to inform the committee that I also serve on the Board of Directors of the Alliance to Save Energy, so you can understand my concern on the whole issue.

AARP appreciates this opportunity to comment on the Department of Energy's Federal Weatherization Assistance Program. Low-income older persons are caught in a dangerous dilemma. Their scarce resources are diminishing, while demands on their budgets are growing even higher. Basic income maintenance programs, such as Social Security and SSI, have been eroded by COLA cutbacks, while health care protection has shrunk to require greater out-of-pocket expenditures. At the same time, home fuel and medical care prices have continued rising—the latter, at a rate 2½ times that of the general inflation rate.

Low-income elderly persons are stretched to the limit in trying to meet these fundamental needs. The Federal Weatherization Program was established to cushion low-income persons from high and rising energy costs, while at the same time promoting conservation and reducing the Nation's dependence on foreign energy sources.

The program has carried out these objectives by insulating and repairing some 1 million low-income dwellings to make them more energy-efficient. At least one-third of these have been occupied by elderly persons, who are a priority group for services under the program. Because of this, many older persons have been able to live more comfortably and safely at less cost, while contributing to the Nation's goal of energy independence. This long-term cost-effective approach to assisting low-income households has been complemented by the Low-Income Energy Assistance Program, which delivers short-term relief, primarily in the form of cash assistance and vendor lines of credit.

The association strongly supports both of these approaches, but we are appalled by the inadequacy of assistance provided overall, relative to the growing level of need, and by the lack of balance in addressing the long- and short-term aspects of this problem.

The Weatherization Program is now funded at $190 million, a level obviously inadequate to serve the 13 million remaining households estimated to be eligible for weatherization, or even to assure that the 6¼ million households receiving badly needed home energy assistance will be utilizing it in energy-efficient dwellings. Fortunately, a number of improvements have recently been made in rules for the Weatherization Program, and more have been proposed in legislative initiatives introduced by Congressman Ottinger in the House of Representatives and by Senator Heinz in the Senate. I will comment briefly on the latter.

The association supports the provisions in both H.R. 2615 and S. 1953 that would expand funding for the Weatherization Assistance Program. We favor the Senate bill's proposed level for fiscal year 1985 of $270 million as a modest increase over the fiscal 1983 level, while we would prefer to see the outyears funded with such sums as may be necessary to allow for the greatest possible increment based on need.

In the House bill, the Weatherization Program is reauthorized for 5 years—a period we would choose over the 3-year extension provided for in the Senate bill. Both pieces of legislation aim to improve training and supervision in the program, increase permissible expenditures to allow the use of newer, more cost-effective technology, such as retrofit and replacement of heating systems, provide incentives to States for exceptional performance, and promote more weatherization of rental housing. We heartily endorse all of these objectives, but especially cost effectiveness, which is absolutely crucial in such a chronically underfunded program.

In closing, I would emphasize the urgency we feel about the Federal Government aggressively stepping up its weatherization activities. This is the only effective long-term answer to the energy crisis for low-income persons. Ultimately, it will save not just dollars and in fuel, but lives.

Thank you.

Mr. RODGERS [presiding]. Thank you Ms. Ostrander. Senator Pryor will be back momentarily.

[The prepared statement of Ms. Ostrander follows:]

PREPARED STATEMENT OF VITA OSTRANDER

Senator Heinz and members of the Special Committee on Aging, I am Vita Ostrander, president-elect of the 16-million member American Association of Retired Persons. I also serve on the board of directors of the Alliance to Save Energy.

I would like to commend you, Mr. Chairman, for the continuing concern and leadership you have demonstrated in the area of energy and the elderly—especially with regard to the protection of low-income older persons facing escalating fuel prices and severe weather conditions. The association shares your concern, and I am pleased to have this opportunity to comment on one program that directly addresses the energy problems of this disadvantaged group of older Americans, the Federal weatherization assistance program (WAP) administered by the Department of Energy. I believe it is important to call attention to the valuable achievements of this program, as well as to identify areas needing improvement to allow for a more complete realization of its goals.

THE LOW-INCOME ELDERLY AND ENERGY

Low-income older persons are caught in a dangerous dilemma: their scarce and diminishing resources are assailed by everhigher spending demands. Basic income maintenance programs such as social security and SSI have been eroded by COLA cutbacks while health care protection (medicare and medicaid) has shrunk to require greater out-of-pocket expenditures. At the same time, home fuel and medical care prices have continued rising—the latter at a rate 2½ times that of the general inflation rate. Energy and health care are basic necessities along with food and shelter, the costs of which have also been rising inexorably, while related federal assistance programs have been reduced. Low-income elderly persons are stretched to the limit in trying to meet these fundamental needs.

The housing situation of older Americans exacerbates this dilemma. The aged population tends to reside in aging housing stock that is not equipped with modern insulation or designed for maximum energy efficiency. Low-income older homeowners cannot afford basic maintenance and repairs, much less improvements to conserve energy. The problems of older renters, whose incomes are still lower, are worse.

FEDERAL WEATHERIZATION ASSISTANCE PROGRAM

The Federal weatherization assistance program grew out of a program established in 1975 to cushion low-income persons from high and rising energy costs, while at the same time promoting conservation and reducing the Nation's dependence on foreign energy sources. The program has carried out these objectives by insulating and repairing the homes of low-income individuals and families to make them more energy efficient.

Over time, the weatherization assistance program has weatherized about 1 million homes, at least one-third of which have been occupied by elderly persons. The elderly are a priority group for services under the program, an appropriate designation given both their decreased ability to effect home improvements themselves and their high vulnerability to harm from weather extremes. Estimates as to the number of dollars saved or percentage of energy conserved as a result of weatherization vary, but it is indisputable that this service has allowed many of the elderly to live more comfortably and safely at less cost and with a positive impact on the Nation's goal of energy independence.

The weatherization assistance program has provided a long-term, cost-effective approach to helping low-income households cope with escalating energy costs. At the same time, starting in 1977, other initiatives have emerged to provide immediate relief for families beset by energy bills in excess of their ability to pay. The major program of this type has been the low-income home energy assistance program (LIHEAP), delivering direct cash assistance or other forms of aid on a short-term basis.

The association has strongly supported both of these approaches to alleviating the energy crisis of low-income older Americans. We are appalled, however, by the meager level of assistance provided overall relative to the growing level of need, and also by the lack of balance in addressing the long and short term aspects of this problem. The LIHEAP was funded in fiscal year 1981 at $1.85 billion, and in fiscal year 1984—following a period of extraordinary increases in energy prices, it is operating at just $25 million more. (A supplemental appropriation is now in the works to raise that figure by $200 million.) The weatherization assistance program has zig-

zagged in its funding from $180 million, to $144 million, to $245 million, and back to $190 million for the present fiscal year.

By contrast, from 1975 to December of 1982, natural gas prices rose 259 percent—and over half of all elderly households heat with natural gas. The price of electricity rose over this period by 95 percent, and from 1976 to December 1982, residential fuel oil prices rose by a staggering 294 percent.

The present level of funding for the weatherization assistance program is obviously inadequate to serve the 13 million remaining households estimated to be eligible for weatherization, or even to assure that the 6¼ million households receiving badly needed home energy assistance will be utilizing it in energy efficient dwellings. Moreover, the unpredictability of financial support for the weatherization program has hampered planning, implementation, and evaluation in a very serious way.

Fortunately, a number of improvements have been recently made in rules for the weatherization assistance program, promulgated by the Department of Energy, and proposed in legislative initiatives introduced by Congressman Ottinger in the House of Representatives and yourself, Mr. Chairman, in the Senate. I would like to comment briefly on these now.

RECENT CHANGES

It is encouraging at the outset that final regulations for the weatherization assistance program were promulgated by the Department of Energy, and that the administration has included an assumption of continued funding for the program in its fiscal year 1985 budget, given past administration efforts to eliminate DOE's home weatherization activities. Characterizing most of the changes in the rules is an increased flexibility for States and grantees to do the best possible work at the lowest cost. For instance, a broader range of weatherization materials is now deemed acceptable than before, and States have a freer hand in selecting audit procedures. Also, improved accountability measures are included in the rules, such as the requirements for post-installation inspections of weatherized dwellings, and the requirement for both monitoring and training and technical assistance plans as part of the state plan.

Another positive feature of the rules is the increased emphasis on meeting the weatherization needs of renters by requiring in the State plan an estimate of minimum rental units to be served and relaxing the low income occupancy requirement in two- to four-unit buildings to make weatherization more feasible in those dwellings. We would agree with the National Consumer Law Center, however, that more needs to be done in this area, and we support their proposal to ask States to establish annual goals for rental unit weatherization representing a significant portion of all units weatherized. Also, we agree that outreach efforts need to be expanded to inform renters that this program is open to them as well as to homeowners.

LEGISLATIVE PROPOSALS

Some of the shortcomings of the weatherization assistance program that cannot be addressed through the rulemaking process have received attention in legislation now under consideration in the Senate. The association strongly supported H.R. 2615 as introduced by Congressman Ottinger, for a number of reasons. First, it raised the authorization level for the program to $500 million in fiscal year 1985, and such sums as may be necessary thereafter. While the proposed fiscal year 1985 figure was more than most members of the House were willing to accept, we were extremely disappointed that at the last moment, the authorization level was reduced to $200 million. A better compromise could have been made that would still demonstrate a commitment to some modest expansion in the program in view of its presently inadequate funding level.

Second, H.R. 2615 reauthorized the program for 10 years. The House of Representatives cut this extension back to 5 years; but that is preferable to the 3-year authorization proposed in the Senate bill, S. 1953.

Third, the bill directed the Secretary to determine how many more eligible households require weatherization and to develop a 10-year plan for completing the work. Other changes proposed in H.R. 2615 would require States to: (1) Develop programs for training weatherization workers and supervisors; (2) expand eligible equipment and permissible expenditures to allow for the use of new technologies where they would be more cost-effective (such as retrofitting and replacement of heating system); (3) create a performance fund to promote exceptional performance by the States; and (4) increase the emphasis on rental housing. Fortunately, these latter elements were retained in the bill referred to the Senate.

Most of these positive features are present as well in S. 1953.

One of the most important and valuable aspects of this legislation, in our view, is its emphasis on testing for, documenting, and utilizing the most cost-effective methods of weatherization. This thrust represents basic good management, but is especially critical in such a chronically underfunded program. Also, improved planning, evaluation, and reporting by the State as required by the legislation is essential. The approach to increasing allowable expenditures for weatherization of individual units appears to be more flexible in S. 1953 than in H.R. 2615, but State operators should be surveyed to see how they would implement this provision to make such that "average maximum expenditures" can be achieved without abuse.

S. 1953 provides a 3-year authorization set at $270 million for fiscal year 1985, $292 million for fiscal year 1986, and $315 million for fiscal year 1987. As suggested earlier, we would prefer a 5-year reauthorization, but the level for fiscal year 1985 in S. 1953 is obviously superior to the lower figure approved by the House, and represents some improvement over the fiscal year 1983 level of $245 million. For the out years, we would favor retaining the House language of "such sums as may be necessary" to allow for larger increments than those provided in S. 1953. The 8 percent inflation factor in S. 1953 should be regarded as a minimum floor.

PETROLEUM OVERCHARGE RESTITUTION FUND

One last point we would like to make concerns the Petroleum Overcharge Restitution Fund (PORF) proposed by the administration, and its relationship to the weatherization assistance program and LIHEAP. The administration has proposed that such a fund be created as the repository for all overcharge settlement funds obtained through litigation by the Department of Energy, and that this fund be used in lieu of general revenues to finance Federal energy assistance programs in fiscal year 1985.

This association does not support this approach. It would undermine the concept of restitution and treat recovered overcharge moneys as if they were additional Federal tax revenue. We cannot believe that the consumers who were on the losing end of the transaction will be satisfied with the administration's proposal. If it proves too difficult to return these funds to the offended parties, they should be used in some supplemental fashion to benefit energy consumers. Moreover, using overcharge funds for the energy assistance programs could place them in considerable jeopardy, since litigation has not concluded in the cases involving these funds and, even if sufficient amounts were available for use in the programs, there would be no guarantee of future sources of funding.

Again, on behalf of the members of AARP, I would like to thank the chairman and members of this panel for the opportunity to express our views, and look forward to working with you to improve protection for low-income older persons through this and other important programs.

Mr. RODGERS. I would like to address a question to Leslie Post. If you had the option in terms of spending additional moneys out of the LIHEAP authorization, would you opt to increase possibly the 15-percent allowable level of transfer between the two programs?

Ms. POST. I think I will come at that from the side, in that there is a real problem between the level of funding for permanent conservation activities and the level of funding for cash assistance programs. To just speak about the percentage in the LIHEAP block grant without addressing the fact that there are not enough funds for the weatherization assistance program to begin with would be out-of-line. Right now, Minnesota maximizes the 15-percent option by transferring almost the full 15-percent, or reprogramming the full 15-percent, to the weatherization program. We do retain a little over 2 percent to do retrofits and the conservation repair component to our program. If the weatherization budget were reasonable, then I think the 15-percent option would be fine at 15-percent. As it stands now, we could stand to increase it.

Mr. RODGERS. I believe Senator Pryor had requested some information from the former witnesses regarding the waiting list for the program right now. I was wondering if you could comment on what

the waiting list is presently in Minnesota, both for LIHEAP funding assistance, as well as the weatherization program?

Ms. POST. Mr. Chairman, I am going to have a little difficulty with that question, since I am the director of the energy assistance program, and the weatherization program is run by a different office. I do know that in Minnesota, we have weatherized 85,000 homes to date. We believe that there are a few over 100,000 homes eligible in Minnesota at 125 percent of poverty. We do believe that we would need to return to many of those homes because they were weatherized when moneys and regulations were such that a complete job has not done. And we think that there are many homes over 125 percent of poverty that need to be weatherized.

Right now in Minnesota, our agencies have funding such that they are able to meet all of their applications. There are no waiting lists for the low-income energy assistance program. We believe that we are going to hit our target and spend exactly all of the funds that were allocated to the State this year. Unfortunately, that means that we will have no funds under the block grant this year to reprogram to weatherization in Minnesota. Last year, we did reprogram $9 million; this year, we will not reprogram any.

Senator PRYOR [presiding]. In the Minnesota Oil Retrofit Program, it appears that you have done a very effective job with the funds you have available, and we commend you. The question I have is how readily do you think other States and local agencies could, let's say, copy or replicate a program similar to your own?

Ms. POST. Senator, I believe that they could replicate it quite easily. The program is incredibly easy to administer. The local agency staff can be trained in one day; the service technicians can be trained in 2 days. There is a flat fee payment and a work order that simply sets standards for the contractors. In other words, the local agency people do not need to be highly-trained technicians in how to set out technical specifications for each heating system. The work order states standards, and the heating contractor is the one who is trained to meet those standards.

So it is easy to administer; I think the States could easily pick it up, and Minnesota would certainly be happy to share our experience.

Senator PRYOR. Do you have any breakdown on administrative costs? We are constantly bombarded by the public—and we should be—to justify some of the administration costs of some of the programs that we implement and authorize. Do you have any breakdown on the administrative costs?

Ms. POST. Senator Pryor, at a $500-flat fee on the oil burner retrofit, we spent approximately $65 in administrative costs, and that is total; that is including the State agency administration and the local delivery agency administration. And we included the administrative expenses when we checked the energy savings, and still are able to say that we have a cost-benefit ratio of 55 cents on the dollar.

Senator PRYOR. Good.

Well, we are deeply appreciative, and once again, we may have other questions.

We would like at this point to turn to Mr. Green, who represents the National Community Action Foundation. It is clear to me,

Geoff, that you have a lot of hands-on experience with the day-to-day operations of the weatherization programs in your State. You mentioned several times in your testimony that S. 1953 provides States with the needed flexibility, particularly in the choice of weatherization measures needed.

I wonder if you might briefly discuss for the committee, for our record, how this flexibility translates into significant program improvement for the local community action agency.

Mr. GREEN. There are many instances, Senator, when in wetherizing a particularly large home, or a home that needs a great deal of weatherization work in order to make it even minimally energy-efficient, in which we get into situations where, because of the strict limits on the amount of materials expenditures that you can put into an individual unit, we are able to blow insulation only into one out of the four sidewalls or are only able to put double-glazing on the north-facing windows. Those are the kinds of limits that we run into and where the increased flexibility within a maximum expenditure limit to do the most energy-efficient things to whatever extent is necessary in the unit will be very helpful and enable us to do a more complete job on many of these units.

Senator PRYOR. I wonder if you might give the committee at this point a very rough estimate of the average cost to weatherize a home in your community, and how long it takes for the investment to pay for itself through energy savings.

Mr. GREEN. Well, just in terms of the materials, in my agency, we average slightly over $500 per unit for materials only. We figure that the average energy savings on the units we weatherize is something in the area of $300 per year, so that pays back very quickly.

In terms of labor and other support costs, those costs average out to approximately $700 per unit at the present time. So the total average cost per unit would be about $1,200.

Senator PRYOR. So it does not take a long time for repayment to take place, or really, for the people to get their money's worth?

Mr. GREEN. At a $300 average savings per year, your payback of the total cost would occur in about 4 years.

Senator PRYOR. And this is a permanent situation, isn't it?

Mr. GREEN. Right. We figure that most of the things that we do in a home when we weatherize it are good for 20 years.

Senator PRYOR. Well, we are very appreciative, Geoff, of you coming here today.

Mr. Minor, it appears that your major catastrophe was that in 1984, you had a fire in your heating system in your basement, in your home in Philadelphia. I wonder what you and your family would have done had the weatherization program not been available for you to participate in and to provide help in the repair of your furnace? What would you have done—you would probably have been cold.

Mr. MINOR. Well, we would have used the gas stove in the kitchen, and the electric heater, but probably, we would have froze, anyway. But I have a suggestion to make——

Senator PRYOR. We will welcome a suggestion.

Mr. MINOR. In this meeting, you mentioned that money was kind of scarce to go across the country for new heaters, right? Why not

repair some of these old heaters that can still be used and stretch the money farther?

Senator PRYOR. That is a good suggestion. I think the committee should look at that suggestion.

I wonder if you might speculate what might have happened to your budget this winter if the energy assistance benefit was reduced, say, by a third, or if the program had used up all of its funds and could no longer serve you. I guess that would be basically the same answer to the question I asked you previously.

Mr. MINOR. Well, that is what I was about to say. In a situation like that, a man just has to do the best he can.

Senator PRYOR. What would you have given up first in your situation had this program not been able to serve you at this time of need?

Mr. MINOR. What would I have given up?

Senator PRYOR. Food, shelter, clothing?

Mr. MINOR. No; I would just burn my gas stove and kept warm, or kept my electric heater.

Senator PRYOR. Is it true that that might not present ultimately a fire hazard?

Mr. MINOR. Yes, but I would have to take the chance.

Senator PRYOR. You would have to take that chance in order to stay warm?

Mr. MINOR. Yes.

Senator PRYOR. Well, Mr. Minor, it is folks like you that we really appreciate coming, because most often we hear from people in Government; we hear from those who work in the agencies, who work in the departments, and it is refreshing for us to hear from an individual who has a personal story to tell, as you have; and this will be very beneficial to our Senators.

I might just add that your own Senator, Senator Heinz, who is the Chairman of the Aging Committee in the Senate, is also Co-Chairman of The National Alliance to Save Energy. He has been very active in this field, and he, along with Senator Bennett Johnston, I believe, of the State of Louisiana, and we are working in every way we can here in the Congress to find ways to save energy, and Senator Heinz has been very, very active in this field and very active in this Alliance, nationwide. This is nationwide; this is not just something in Pennsylvania, but this is a national organization. At one time, I understand that the late Hubert Humphrey was chairman of this group and very active, and we are very proud of Senator Heinz' participation and leadership in it.

Thank you, Mr. Minor.

Mr. MINOR. You are welcome.

Senator PRYOR. Carol, I would like to ask a couple of questions, if I might.

You are a national organization, and you have contacts with a lot of people and a lot of groups across the country that deal on a day-by-day level of dealing with these problems. I wonder if you might tell the committee this morning about any particular State or any particular utility out across the country that you might know of that might have sponsored programs that are exemplary or that we might look to as models or that we might look to to emulate—if you do not have that right now, you may supply that

for the record, and we would leave the record open, because I think what this committee is attempting to do this morning is to gather information, gather thoughts, facts and evidence, and should you like to think about that for a few days, supply it for the record, talk to some of your colleagues across the country, I think it would be helpful for us to compare notes.

Ms. WERNER. We would be happy to do that, but a couple things that I can tell you right now are that, for example, Minnesota has been doing a very, very good job.

Senator PRYOR. Take a bow, Leslie.

Ms. WERNER. And one of the things that I think is so critical in Minnesota is that the State has really seized the opportunity to look at energy in a very comprehensive way, and has really adopted a comprehensive energy policy for the State, and there is a commitment from the top down there. And there has been an historical commitment in that State to weatherization and to trying to accomplish weatherization for all low-income dwellings.

Massachusetts has also been a State that has taken a lead in trying to come up with different kinds of approaches, and various places in Pennsylvania, I think there are a number of situations like that. But in Massachusetts, certainly, there has been a considerable amount of work done in the whole rental, multifamily area.

The Tennessee Valley Authority is an example of a utility that has been trying to do a lot of work in this whole area as well, and with quite a degree of success in addressing low-income rental units as well as other units that are owned by individuals who are eligible.

Senator PRYOR. Not too long ago I was in Minnesota, either in St. Paul or Minneapolis, Leslie—I am not certain—but I think you have done a great job, or someone has, one of the cities, or both the Twin Cities, in a new steam generation process whereby the downtown businesses are participating and have participated in a bond program, I believe, in a long-term bonding program, which ultimately will save millions and millions of dollars in energy costs, in simply the use of steam. And I think you are unique to this extent, and I really applaud you for it. I went back to Arkansas and talked to some of our people about it, and it is very, very impressive what you have done.

That same river that runs through there also is the eastern boundary for our State, so maybe we could utilize some of those same concepts. We must all learn from each other in this.

We do have coming in this morning a very distinguished Virginian, I see, and I think that we all would be interested in seeing if he has any statement.

Senator John Warner of the State of Virginia, we are very proud that you are here. We are visiting here with a panel from across America, on what they are doing in weatherization programs in their States and in their localities. We have had excellent testimony this morning. And at any point in the testimony or in the statements, we would be glad for you to feel free to make a statement, or feel free to ask any questions of the panel.

Senator WARNER. I thank my distinguished colleague from Arkansas. I will just sit here and participate for a brief period.

I have been chairing a hearing in the Energy Committee, and as such, I would——

Senator PRYOR. Perhaps you can bring us some good news from the Energy Committee.

Senator WARNER. The simple thing that we learned this morning is that in all the oil wells in the United States, there remains in most of those wells about two-thirds to three-quarters of the oil which they cannot figure out how to get out. We are only able through primary, secondary, and tertiary methods of extraction to get out at most one-third of the oil in the wells. We are looking at a new method to try and get that energy out, which indirectly would work its way into weatherization.

In the meantime, you are the primary source, that is, the conservation approaches to our energy problem, are the primary means by which we are making some inroads in this area.

Thank you, Mr. Chairman.

Senator PRYOR. Thank you, Senator Warner.

Ms. Ostrander, energy issues are among the very top legislative priorities for the American Association of Retired Persons.

Ms. OSTRANDER. That is right.

Senator PRYOR. We commend your organization for taking that as the top priority item, because of course, the elderly are so adversely impacted as the cost of energy increases, and I wonder in your experience with your membership across America, some 14 million citizens, what you hear from these people, what percentage of this group do you estimate is being seriously hurt and damaged by the higher energy prices this year?

Ms. OSTRANDER. It is difficult for me to give you percentages, but I can tell you there are a large number who are being impacted. As the population gets older, and the group from 75 to 85 is growing, that group has less flexibility in income, for many reasons, which we presented in our statement. But also along with it, they have the increased health costs, as they do along with the energy costs, and in that case, then, they have to make some tough choices, and we are getting more and more letters in, telling us that energy costs are continuing to become a burden for them.

Senator PRYOR. I wonder if you would have any recommendations for this committee regarding the legislation that we are now considering, which might substantially improve the weatherization program for your membership or any Americans.

Ms. OSTRANDER. Well, we have indicated in our prepared statement, which is on record, some of the areas that need to be addressed. You have to have both a long-term and a short-term effort. And these are currently being addressed, but in very limited fashion, by the funding of the Low-Income Energy Assistance and the Weatherization Programs. The funding can be increased, and various innovative ways can be found to deal with the different sections of the country in terms of what are their basic needs. The retrofit program, which I have observed through The Alliance to Save Energy, is showing that it does produce considerable savings. We have got to look at many ways that we do things, and our legislation should develop more flexibility to do those things.

Senator PRYOR. I wonder if you might have any comment, too, if you think we ought to proceed with funding the program through

the Petroleum Overcharge Fund, or should we try to get these funds from general revenues.

Ms. OSTRANDER. While I heard Mr. Collins give us reassurance this morning of the guarantee of going into the general revenues if the petroleum overcharge funds are not there, at this point our association does not consider that a good vehicle. We believe that given the litigation and the legal problems associated with the overcharge fund, there are and will continue to be real questions as to whether or not we will have any funds, or whether those funds should be used for energy programs at all and this will create a greater instability in the energy assistance programs as well as more risk for the elderly who depend upon them.

Senator PRYOR. We may, as a committee or as individual members, submit some additional questions to you relative to better coordination efforts between the States, local aging organizations, the Department of Energy, the Congress, et cetera, and I hope that, should we submit those questions to you, you would feel free to give your thoughts and opinions and provide those answers for the record.

Ms. OSTRANDER. I certainly will.

As a leader of the organization, I am very concerned about the energy issue. We have, through the National Legislative Council, addressed that as a priority issue for a number of years. We will continue to put a focus on the energy needs of the elderly.

Senator PRYOR. Good.

I believe counsel now has a question for Ms. Werner.

Mr. RODGERS. Yes. Ms. Werner, you express some reservations in your testimony concerning the Petroleum Restitution Fund and its applicability. I wonder if you could comment on the Under Secretary's statement that basically talks about the fact that the Department is committed to fund the Low-Income Energy Assistance and Weatherization Program for the next 5 years, obviously, I think, in exchange for some favorable consideration on the part of the Congress of the legislation that has been proposed.

I was wondering if you could comment on that?

Ms. WERNER. We still think that, first of all, the proposal simply flies in the face of the whole principle of restitution, and that the proposal that has been submitted by the administration still has as its purpose to back out the use of general revenues for existing Federal program commitments.

And I would just like to call your attention back to the action that the Congress took—as a matter of fact, it was initiated by Senator Warner about a year and a half ago, I guess, in December 1982, when Senator Warner introduced the amendment to provide $200 million in oil overcharge funds to be used for five existing Federal energy programs. However, that language was very, very careful the way it proceeded, and indeed, it said that these funds should be used to "supplement and not supplant funds otherwise available for such programs under Federal or State law." And we think that the Congress understood the importance of separating these oil overcharge funds from general revenues, because the oil overcharge funds are consumer funds and need to be returned to the consumer in some way. If you simply put them into general revenues and appropriate them out, the way the administration

proposes, what you are doing is actually imposing an additional unauthorized tax upon consumers, and the consumers are receiving no additional benefits.

Mr. RODGERS. Thank you.

Senator PRYOR. Senator Warner, do you have a comment?

Senator WARNER. I want to make sure I understand, because I was the author of the amendment, and we had a "midnight raid" and found $200 million for the Energy Assistance Program.

Has it worked out to your satisfaction, the disbursal of those funds?

Ms. WERNER. I think that the disbursal of the funds worked out. It has taken quite a while to find out exactly how the States have actually utilized those funds as far as just sort of a programming monitoring function is concerned, and in a number of States, the funds were immediately put to use for long-term energy assistance, but because there was an option, various States chose to put some of the funds into some of the other programs, and in many cases, that had to go through State legislative action to make those determinations, which did slow down the process somewhat.

But we think that that process works fairly well as far as that was concerned. But again, that was in addition to the regular program, so that it did not damage or, in other words, really affect the ongoing proceeding of the existing programs.

Senator WARNER. Thank you. I thank the Chairman.

Senator PRYOR. We thank the entire panel this morning, and we are very appreciative of your appearing. What you have told us will be distributed to the membership of the committee and to the Members of the Senate and the House, and for those who deal with these issues, I am sure they will find that your statement and the information you have provided us is most helpful as we go forward in trying to make this program not only work, but work better, and try to make this program effectively target and reach those people that we are intending to help.

I thank all of you very much.

We are now ready for the third and final panel this morning: Robert Parr and Irene Stillings. Mr. Parr is an independent oil dealer in Lebanon, PA. He is representing both the Pennsylvania Petroleum Association and the National Oil Jobbers Council. We are very appreciative, Mr. Parr, of your being here this morning with Irene Stillings, who is director of consumer affairs for the New York State Electric & Gas Corp. She is representing the Edison Electric Institute, which is the major trade association for the electric utility industry. Traditionally, trade associations that represent the utility companies have been more vocal in their support for LIEAP, because it benefits their member companies more directly. EEI supports the Weatherization Program and supports current legislative initiatives to make necessary improvements in the programs. Ms. Stillings will discuss her company's commitment to developing innovative fuel assistance and weatherization programs to serve the direct interests of their older customers.

We appreciate you being here, Ms. Stillings, and I would ask Mr. Parr, if he would, to give us his statement at this time. Once again, we are trying to go along with the 5-minute rule. We want you to know that should you not be able to finish your statement in the 5-

minute period, your statement will be printed in the record as if read.

Senator WARNER. Mr. Chairman, excuse me. Mr. Parr, if I had known you were here in the Senate this morning, I would have had you down before that other committee.

Mr. PARR. I would have been glad to, sir.

Senator WARNER. But that is a problem. Two-thirds to three-quarters of the oil in all the wells in the United States is still there; do you agree with that general proposition?

Mr. PARR. Yes, I do. I know the problem, and I am not so sure how much of it is technical as much as financial.

Senator WARNER. Economic.

Mr. PARR. Yes.

Senator WARNER. We will be looking this morning at means by which to go down below the oil wells, the fields, and go up, tunnel up this way, and then have a direct gravity system; in other words, mine the oil, much the way we do minerals.

Senator PRYOR. Senator Warner, I might also mention that Mr. Parr was very innovative and creative in establishing a private fuel assistance program in Lebanon, PA, and agreed to match each dollar contributed by his customers to this program. The funds under the program are available for all fuels, all natural gas, electricity, wood, kerosene, et cetera.

So we are very appreciative of you coming and sharing your views and comments with us this morning, Mr. Parr.

STATEMENT OF ROBERT G. PARR, PRESIDENT, D.J. PARR, INC., LEBANON, PA, ON BEHALF OF THE NATIONAL OIL JOBBERS COUNCIL AND THE PENNSYLVANIA PETROLEUM ASSOCIATION

Mr. PARR. Thank you, Mr. Chairman and members of the committee.

My name is Bob Parr, and I am owner and president of D.J. Parr, Inc., a heating oil distributorship in Lebanon, PA.

Because of the short-time factor, I would like to present a brief statement, and ask the chairman's permission for NOJC to place additional materials into be record.

I am testifying before this committee on behalf of the National Oil Jobbers Council [NOJC], the Pennsylvania Petroleum Association, PPA, which is an NOJC member, and as a second-generation owner of a Pennsylvania heating oil distributorship.

NOJC and PPA have consistently supported Federal and State energy assistance and weatherization programs. These programs have assisted many homeowners in responding to the rapid change of energy costs during the past 10 years.

Weatherization is a tool the fuel oil supplier can use to increase his customer's efficient use of energy, as well as the customer's reduced consumption.

I would like to emphasize that heating oil marketers, as responsible members of their communities, want to help our customers, not only by working for successful Federal and State programs, but also by supporting privately administered programs for the unfortunate. A bad economy, unemployment, fixed incomes, all conspire against our customers—people we have served for many years.

Since we often know our customers personally, we try to help them out by referring them to State agencies or private assistance groups. Often, especially in the case of the elderly, individuals are ashamed to go on welfare, and we attempt to find or set up more acceptable ways to see them through their personal crises.

I have initiated a program in partnership with my customers, of which I am very proud, which contributes money to the Lebanon County Emergency Fuel Program. My company initially granted $2,000 to the program; then, for every $1 voluntary contribution for each delivery from my customers, I matched that contribution with another $1 from our company. I can only say that the response was overwhelming. We found that our customers, as well as others in the community who were hardpressed to pay their own bills, willingly contributed money to help those less fortunate neighbors.

I would like to turn at this point and briefly discuss Senate bill 1953 for my remaining time.

The NOJC Heating Fuels Committee has looked at Senate bill 1953 on two separate occasions since it was introduced in October 1983. From our review, we are concerned that the bill does not offer any protection to oil marketers against anticompetitive practices of utilities. Marketers are clearly concerned that there are no strong competitive safeguards built into the legislation to protect small business fuel oil marketers from the possible abuses and excesses of utility company monopolies.

There is a very strong sentiment that expansion of the weatherization programs as outlined in the bill, without certain restrictions would: One, be used by the utilities as a tool to unfairly subsidize expansion, and two, be similar to existing RCS/CACS programs which do not protect fuel oil marketers from utility monopoly excesses.

For the same reason, we are also concerned about the rental units being included in the bill. Fuel oil remains strong in the commercial apartment sector. We see utilities using this Federal program as an excuse to raid this market, and take oil customers unfairly. To prevent this, strong, specific language is necessary, prohibiting these funds from being used for fuel-switching programs by utilities.

The bill is intended to use the success of the oil retrofit program in inner-city Philadelphia in 1979 as a basis for expanding the program to gas retrofits and oil/gas replacements all across the Nation. If this is to occur, there should be clear provisions in this bill to assure that these anticompetitive measures are addressed.

In conclusion, I would like to say that the average oil dealer stands ready and willing to participate in any weatherization program which addresses the needs of the elderly and the low income, as long as these programs continue as safeguards, as I previously mentioned.

Thank you, Mr. Chairman. I would be happy to answer any questions that you might have at this time.

Senator PRYOR. Thank you, Mr. Parr. We are very appreciative of you being here with us, and we will have questions momentarily.

Irene Stillings, thank you for being with us this morning.

STATEMENT OF IRENE M. STILLINGS, BINGHAMTON, NY, MANAGER, CONSUMER AFFAIRS, NEW YORK STATE ELECTRIC & GAS CORP.

Mr. STILLINGS. My name is Irene Stillings. I am manager for consumer affairs for New York State Electric & Gas Corp., which is headquartered in Binghamton, NY. I am also the vice-chairman of the Edison Electric Institute Consumer Affairs Committee.

EEI is an association of the Nation's investor-owned electric utilities, and it is for EEI that I am here this morning to talk about what the utilities have been doing in the area of aiding their senior consumers, and to support S. 1953.

Generally, the electric utility programs for seniors have centered around a variety of efforts that fall into three categories: education and outreach, counseling and referral, and financial and weatherization aid.

Education and outreach programs focus on the efficient and safe use of energy. We have senior citizen newsletters, programs on hypothermia and hyperthermia; we have brochures and printed materials, all of which are geared toward educating our seniors about how to stay warm or cool safely, at the lowest possible cost, and to inform them about available community assistance.

Most electric utilities offer specialized services for seniors, and a growing number of our companies are providing special consumer representatives who are trained to provide counseling and assistance to seniors experiencing financial crisis. Over 50 electric utilities have established fuel funds, which provide financial aid to people who are not eligible for other assistance.

The electric utilities of this country also offer a wide range of conservation and weatherization services that include such things as home energy audits, hands-on, how-to weatherization workshops, and insulation programs that are either free or available for low-cost loans.

As my written testimony indicates, we are devoting considerable resources in the industry to help our low-income seniors keep warm or cool safely.

And finally, I think it is important to mention the development of broad national and State coalitions of energy suppliers, government and private agencies, and older consumers who work to identify energy issues of the aging. This alliance of organizations working together, we feel will bring significant progress in finding solutions to those issues.

The electric utilities have been working in partnership with both government and volunteer organizations to meet the energy needs of our low-income seniors. We educate and inform, we counsel and assist, and we provide financial and weatherization assistance. We believe that a public/private sharing of responsibility for solving the energy problems of seniors will bring maximum benefit to those in need, and we support the partnership between government and utility.

But the emphasis here is on partnership, because we cannot do it all. I am here today on behalf of the Edison Electric Institute to support S. 1953 and a strong Federal Weatherization Program, be-

cause the electric utility programs alone are insufficient to meet the needs.

The Low-Income Home Energy Assistance Program has literally been a lifesaver for some, but it meets short-term needs and is crisis oriented, and though it certainly must continue, it is also necessary for the Federal Government to commit equal resources to long-term solutions to providing permanent energy reductions in energy costs.

There are many weatherization loan programs available through the utilities, but these do not meet the needs of low-income seniors. Many of our seniors never borrowed money; they always paid for what they used when they used it, and they will not borrow now. Others, particularly the older old, those who are over 75, are not willing to take on a debt that may be passed on to their heirs. And most important, the limited and carefully constructed budgets of low-income seniors contain no component that allows for repayment of loans. Thus, these free weatherization programs are more suitable for the psychology and the pocketbook of low-income seniors. Therefore, we urge the passage of S. 1953.

The last 10 years have seen dramatic changes in the energy pictures in this country. Our priorities have changed, and our lives have changed. And the elderly have been perhaps the most vulnerable in their inability to cope with these changes and with higher energy costs. We in the electric utility industry are confident, however, that with the combination of financial assistance and weatherization programs, both public and private, we can help make energy affordable for these valuable citizens.

Thank you.

Senator WARNER [presiding]. Thank you very much, Ms. Stillings.

[The prepared statement of Ms. Stillings follows:]

PREPARED STATEMENT OF IRENE M. STILLINGS

My name is Irene Stillings. I am manager of consumer affairs for New York State Electric and Gas Corp. (NYSEG), which is headquartered in Binghamton, NY. I am also the vice-chairman of the Edison Electric Institute (EEI) Consumer Affairs Committee. EEI is an association of the Nation's investor-owned/electric utilities, and it is as a representative of EEI that I am here today to talk about what the electric utilities have been doing to assist our senior customers and to support Senate Bill 1953. I am particularly pleased to appear before you, Senator Heinz, to address the issue that you discussed at our joint Edison Electric Institute/Consumer Federation of American Conference in October of 1983.

In that speech, you suggested three courses of action to help make energy affordable for this Nation's low and fixed income consumers—three courses of action that we in the utility industry support wholeheartedly. First, you stated that government must insure that sufficient cash assistance payments are provided to help the poor and elderly on fixed incomes meet their short-term needs. The electric utility industry, through individual efforts and through the action of the low-income energy coalition, have supported this course. Second, you stated that utilities and private groups must develop energy conservation programs to provide permanent reductions in energy costs. And third, you called for government programs to provide permanent conservation improvements for low income and elderly households. It is to those second and third points, particularly relating to the needs of our senior customers, that I will address the remainder of my remarks.

America is aging rapidly. In the past two decades, the number of elderly has grown twice as fast as the other segments of the population. For the utilities of this Nation, this means that there has been a gradual and inexorable change in the traditional customer mix.

Since our older customers often have different needs and different concerns than our younger customers, this has led many of us to develop specialized communications and cutomers service programs for this important segment of our customer base.

Generally, electric utility programs for seniors center around a variety of efforts falling into three categories—informing and educating the senior customer; providing counseling, referral, and crisis intervention; and providing financial and weatherization aid.

Education programs for seniors focus on the efficient and safe use of energy. My company, NYSEG, publishes a senior citizen newsletter, the Senior Sun. It is printed on nonglare paper in big, bold type and mailed directly to our custsomers' homes. It contains material on energy conservation, NYSEG services, nutrition, energy assistance programs, and other consumer issues. Other companies, among them Portland General Electric, Wisconsin Electric, and Orange and Rockland Utilities, also publish senior newsletters.

A major focus of utility educational programs for seniors is the issue of hypothermia and hyperthermia. Our fact sheet is titled "How to Stay Warm Safely," and we send specially trained employees to senior nutrition sites and seniors centers with a slide program called INFOS—Information and New for Our Seniors—which deals with hypothermia and electric safety. Puget Sound Power & Light sponsors seminars on hypothermia. Florida Power & Light and San Diego Gas & Electric train employees to identify the signs of heat and cold stress. Florida Power & Light has a mobile office which serves senior citizen centers, senior housing and shopping centers where seniors congregate, providing billing and energy information. Literally dozens of other companies, too numerous to mention, provide safety and conservation information to seniors, as well as sensitizing and training employees to be alert for signs of problems in elderly customers.

Many companies go a step further and provide specialized services for older customers. NYSEG's Sunshine Services for seniors includes deferred due date billing, levelized billing, third-party notification and life support protection plans. Iowa Public Service has a package of programs called Gold Courtesy Service, which provides some specialized and priority services for seniors.

NYSEG employs eight consumer representatives. These are former social workers whose primary task is to provide assistance, referral and budget counseling to customers who are experiencing financial crisis. Philadelphia Electric has a similar program called PE Cares, as does Baltimore Gas & Electric and Pennsylvania Power & Light, while Portland General Electric employs special senior representatives.

But the Nation's utilities go far beyond just providing speeches, brochures, and other printed materials. Over 50 electric utilities have established fuel funds patterns after the programs started by Baltimore Gas & Electric and Kansas Gas & Electric several years ago. These private fuel assistance programs provide cash for immediate short-term needs. Some are for all low-income customers. Others, like NYSEG's project SHARE, limit their assistance to elderly or disabled customers. In many cases, the assistance received can be used to pay for any energy related emergency need, including equipment repair and small weatherization tasks. These programs are usually coordinated through private charitable organizations, such as the Red Cross or the Salvation Army. They all are a necessary and vital supplement to Federal efforts and provide another safety net for our needy customers.

For a more long-term solution to the energy needs of our low and fixed income customers, many of this Nation's utilities have undertaken private conservation/weatherization initiatives. Most of these weatherization programs are for all low-income households, not just seniors. All large electric utilities are required to conduct home energy audits under the residential conservation program to check energy efficiency and to advise the customer of improvements that can be made and the cost effectiveness of these measures. Most electric utilities in the country offer home insulation loan programs that range from being free to zero-interest to low interest. The degree of insulation covered under these programs varies from low cost/no cost measures to attic insulation to major weatherization measures.

I have attached the conservation and weatherization section of EEI's "Low and Fixed Income Energy Assistance Manual," to give you a brief description of the program from Carolina Power & Light, Detroit Edison, Duke Power, Pacific Gas & Electric, Northern States Power, Pacific Power & Light and 10 other companies. These are representatives of the many programs throughtout the country and by no means a complete listing of all that is being done by the investor-owned utilities in the area of weatherization.

Several companies have developed weatherization programs specifically for seniors. NYSEG's Operation Button-Up is representative of one type. In cooperation

with the area agencies on aging, we conduct hands-on energy conservation workshops for seniors. With the help of small model doors and windows, senior participants are shown how to install weatherstripping, use a calking gun, install storm windows and to work with several other conservation devices. All workshop attendees receive a free packet of weatherization materials (plastic windows, calking, weatherstripping, draft stoppers, door sweep) and arrangements are made for the installation of the materials for those who cannot do it themselves. Customers who sign up for a free home energy audits, receive a water heater insulating jacket free of charge. Iowa Public Service and Central Illinois Public Service, among others, have similar programs.

Georgia Power Company initiated a unique program called "Lend a Helping Hand," in which they hire senior citizens to weatherize the homes of other senior citizens. They have provided employment to approximately 200 senior citizens, thereby tapping one of our Nation's greatest unused resources. These contractors have used materials provided by Georgia Power to weatherize approximately 16,500 homes of seniors at no cost to the homeowner. Oklahoma Gas & Electric is beginning a similar program and Dayton Power & Light has introduced Operation V.I.P. which utilizes volunteers to assist seniors with weatherization tasks.

And finally, it is important to mention the development of broad coalitions on the national and State level to address the energy issues of aging. These consortiums bring together energy suppliers, policymakers, older adult agencies and older adult consumers to identify energy related needs and to develop solutions, using all the resources available in the community. The national Energy/Aging Consortium has inspired the development of similar networks in Georgia, New York, and Wisconsin. This alliance of previously disparate organizations, working together in partnership, should bring significant progress in finding long range solutions to the energy problems of seniors.

I could continue for some time detailing what this country's utilities have been doing, in partnership with both government and volunteer organizations, to meet the energy needs of our low-income senior customers. We educate and inform, we counsel and assist, we provide both financial and weatherization assistance. We care, Senator, about our senior customers and we have demonstrated that concern in dozens of ways with concrete programs. We have already developed and are continuing to expand programs that provide permanent reductions in energy costs for low-income customers.

Some of these programs were undertaken because of mandates by the utility commissions. Some were begun at the urging of consumer groups and senior advocates. But mostly, utilities are involved in these programs because we know that being involved will benefit our customers and we all agree that being good to customers is good for our business. We believe that a public/private sharing of responsibility for solving the energy problems of seniors will being maximum benefit to those in need and we support the partnership between government and utility.

But the emphasis here is on the shared responsibility, the partnership because, Senator, we cannot do it all. I am here today on behalf of Edison Electric Institute to support Senate Bill 1953 and a strong Federal weatherization program, because electric utility programs alone are insufficient to meet the need.

Millions of our Nation's low-income senior citizens live in homes that were built when energy was cheap. These homes are poorly insulated and often have inefficient heating systems. The homeowners live on fixed incomes that they must budget carefully in order to live. Their physical condition often demands more heat or cooling in order to maintain health. Any changes in weather, or in the price of energy, that cause their expenses to rise throw their carefully constructed budgets into disarray.

Thus, the low-income home energy assistance program (LIHEAP) has literally been a lifesaver for some. But it meets short-term needs and is crisis oriented. It treats symptoms without attempting to eliminate the problem. In any cases, the heating or cooling bought by Federal assistance dollars is escaping through cracks, broken windows and inadequately insulated ceilings and walls. Certainly, LIHEAP in partnership with the voluntary utility funded assistance programs is essential to the health well being of our low-income consumers.

Statistics and studies show that the real need for energy assistance for the poor and elderly is enormous—and it must continue. But energy assistance alone is not sufficient.

It is also necessary for the Federal Government to commit equal resources to long-term solutions, to providing permanent reductions in energy costs.

This is particularly important for low-income seniors. Our senior citizens are proud and independent people. They do not want to accept charity or welfare and

therefore are sometimes reluctant to accept the help that LIHEAP can provide. Weatherization assistance is often seen in a different light, is not seen as welfare, and is therefore more acceptable.

There are many weatherization loan programs available through the utilities, but these do not meet the needs of low-income seniors either. Many of these people never borrowed money, always paid for what they used when they used it, and will not borrow now. Others, particularly the "older" old, those over 75, are not willing to take on a debt that may be passed onto their heirs. And most important, the limited and carefully constructed budgets of low-income seniors contain no component that allows repayment of loans.

Thus, programs that provide free weatherization are more suitable for the psychology and the pocketbook of low-income seniors.

Therefore, we urge passage of Senate Bill 1953. It provides long-term solutions to long-term problems. By authorizing the funding for more than a year at a time, it will bring some continuity and stability to the State administration of the programs. And by providing for retrofitting and replacement of heating systems, it increases the cost effectiveness of the expenditures.

The last 10 years have seen dramatic changes in the energy picture in this country. Our priorities have changed and our lives have changed. The elderly have been perhaps the most vulnerable in their inability to cope with these changes and with higher energy costs. We, in the electric utility industry, are confident, however, that with the combination of financial assistance and weatherization programs, both public and private, we can help make energy affordable for these valuable citizens.

Senator WARNER. I have worked with the Edison Institute on a very broad range of energy issues, and I commend the contribution that you provide today through your testimony. You bring a considerable knowledge to bear on this important question.

It is the understanding of the committee that most fuel oil dealers favor installing energy-saving modifications to oil heaters in the homes of the poor even though it reduces oil sales.

Would you advise the committee why fuel oil dealers are in favor of federally supported furnace benefits?

Mr. PARR. There are a lot of instances whereby our programs—we cannot properly arrange the financing or the funding of them without these proper programs.

I would say that the industry as a whole has done a fabulous job in cutting their own throat. We have instituted a lot of programs of energy-saving devices and done whole-house audits, and we have managed, just by that, to cut at least 30 percent of our fuel sales in that particular light.

We are very active in working out the economies of it, the energy savings of it and the paybacks, and we try to do as good a job as we can. And we are very interested in federally sponsored programs whereby we can help further.

Senator WARNER. Ms. Stillings, what in your opinion is the most essential role that the Federal Government can play in energy assistance programs?

Ms. STILLINGS. Senator, I feel that the Federal Government has an essential role to play in helping our seniors handle rising energy costs, and it is in that area of partnership that I mentioned earlier. We in the electric utility industry are anxious to do our part in helping our customers, but we cannot do it all. We need to work with the Federal Government and with private agencies to help our customers. We need to find perhaps some more creative ways of financing the energy and weatherization programs.

We are concerned at times that there has not been enough cooperation among the community resources that are available to help our low-income customers, and I think that there needs to be more

coalition building, and there needs to be more of this partnership in solving these problems. But the Federal Government certainly must supply some funding, and considerable funding, for weatherization programs.

Senator WARNER. Senator Pryor?

Senator PRYOR [presiding]. Thank you, Senator Warner.

Irene, I wonder, in the State of New York, does the public utility commission support the involvement of utility companies in developing private energy assistance programs? Is this any problem whatsoever in the State of New York?

You are smiling; you are indicating something.

Ms. STILLINGS. Well, it is a complex issue, because you realize, of course, that when the utilities get involved in these assistance programs, these costs are born by all ratepayers, and very often, the assistance we provide does not go to customers of ours. In other words, the weatherization programs in New York State for my company, New York State Electric & Gas, are paid for by all our customers. Yet, less than 12 percent of our customers heat with electricity. Therefore, we are out there providing considerable weatherization assistance for customers who use other fuels and other sources of heating. Thus far, the commission has accepted what we have been spending on these programs, but I am not really sure how the commission would react to really more massive amounts of money being spent in these areas, because of that issue of who pays for it.

Senator PRYOR. Do you have any figures that you might want to present the committee this morning, relating to the number of utility customers in the State that you are aware of, or a percentage figure of those that might be in arrears with their utility bills, how these utilities handle cutoffs, terminations, giving some additional time or some program that might be in place to provide some relief. I wonder if you might discuss that, if you would?

Ms. STILLINGS. I think New York State has been in the forefront of providing protection to utility customers in various ways. We have a Home Energy Fair Practices Act in New York, which is basically a utility consumer bill of rights, which states very clearly the protections for our customers in their dealings with the utilities.

I would be happy to submit for the record some of these protections, but they include such things as payment arrangements—we cannot disconnect a customer—we will not disconnect a customer—without making every effort to make a deferred payment arrangement. We will at times give a customer as long as 2 or 3 years to pay a bill that has built up in arrears.

So, yes, I think in New York State there are considerable protections for our customers. And because of the care and the concern that the electric utilities in New York are taking, New York actually has one of the lower percentages of customers in arrears, I think, throughout the country.

Senator PRYOR. Once again, I think your supplying this information, the method that you might use in New York, would be helpful to members of this committee and to other States, as we try to share information with each other.

Ms. STILLINGS. It is important to State, Senator, too, that New York and New York utilities are far from the only ones who are doing these kinds of programs for people who are having trouble paying their bills. This is going on throughout the country. But I would be happy to submit that for the record.[2]

Senator PRYOR. Thank you so much for coming this morning.

Mr. Parr, in your testimony, you raise a concern about the need for competitive safeguards in a weatherization program. I wonder if you might discuss this and how these safeguards might be implemented, and what we need to do in the Congress relative to this concern that you have expressed?

Mr. PARR. We are concerned primarily with the protection of our own customer base, in that if certain moneys are available for retrofits that the oil is replaced with oil, and the gas is replaced with gas, and so on, we are concerned that we are able to protect our own customer base without it being raided.

Senator PRYOR. In other words, if we offer such incentives or such a program to inspire or encourage people to shift from oil to gas, this would be a competitive area that you think we should not infringe upon, or that we should walk away from?

Mr. PARR. No. There are plans that are available by various States that address these safeguards, and the language is there. It is not a very complicated issue, and it can be addressed very easily, really, in one or two sentences.

The thing we are trying to do is that we happen to think that there is equipment in the oil marketing industry that is available with very high efficiency, and at a lower cost than a lot of competitors, and that there should not be any reason to go to another type of fuel for the reason of saving on fuel. We can effect it with the equipment that we have, and we want to protect our customer base.

Senator PRYOR. Mr. Parr, one final request—not a question, but a request. I hope for the record that you would, in a letter to Chairman Heinz, explain in somewhat greater detail the very creative program you have in Pennsylvania, with your company and with your customers. I think that this would be very helpful to the members of the committee. We might share that with your counterparts in our respective States, to see if they, too, might not wish to emulate such a program, or at least for their comments and their observations. It is very creative, and we applaud you for that.

Mr. PARR. I do not personally claim too much authorship of it. It is an enlightened program that, probably, I stole from some of the utilities, as a matter of fact.

Senator PRYOR. We all steal each other's ideas, especially in this town.

Mr. PARR. Right, right. There is nothing original anymore.

But yes, I would be glad to furnish the material on it. Ours is a very loose program, and it is a wonderful program which has worked very well and been very well-received. So I would be glad to furnish that information.

Senator PRYOR. Thank you, Mr. Parr.

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[2] See Appendix.

We will leave the hearing record open for 20 days, and there will be additional questions. Once again, Chairman Heinz could not be present today. He was called back to his State and he is not in Washington.

We wanted the opportunity for him to submit any questions, or his staff to submit questions, and perhaps other colleagues of ours who are members of this committee to submit questions to the witnesses and to the panels, and we are very, very appreciative once again of all of you giving of your time to come today to Washington to testify on this sensitive and timely subject.

If there are no other comments from staff, we will declare this meeting adjourned, with our thanks to you.

Mr. RODGERS. Thank you.

[Whereupon, at 12:15 p.m., the Committee was adjourned.].

APPENDIX

MATERIAL RELATED TO HEARING

ITEM 1

EVALUATION OF PROJECT RETROFIT '82

EXECUTIVE SUMMARY

State of Minnesota
Department of Economic Security
Energy Assistance Program

Prepared by
The Institute for Human Development
718 West Norris Street
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37-602 O - 85 - 3

During the spring of 1982 Minnesota's Energy Assistance Program (EAP) initiated a statewide oil burner retrofit pilot for low-income citizens eligible for assistance under EAP. The program was initiated to test the viability of performing heating system retrofit work as a complement to both fuel assistance payments and to building shell weatherization measures. Under the pilot program 1450 oil fired heating system retrofits were performed in 24 counties under the direction of 19 local agencies which are EAP grantees. All the retrofit work was performed by local fuel oil dealers and heating contractors.

The Minnesota retrofit program was patterned after a successful Department of Energy pilot program which had shown that savings of over 22% could be achieved at a cost of about $500. The superior economics of this conservation measure was the primary reason for Minnesota's initiating a pilot retrofit program.

To determine what costs and savings would result from a retrofit program in Minnesota, EAP contracted for a comprehensive evaluation of a subset of the retrofits performed. That evaluation was performed on 145 of the homes which received retrofit measures during the summer of 1982. Each home received one of the following retrofit packages:

- A thorough cleanout and replacement of the existing conventional type burner with a new flame retention burner installed using an optimized fine tuning procedure to raise the steady-state efficiency to a minimum of 80%.
- Building shell weatherization measures typically installed under Minnesota's weatherization program (i.e., air infiltration measures, storm windows, attic insulation, minor energy related repairs, and in some cases wall insulation and storm doors).
- Both of the above measures.

In addition, a fourth group which received no modifications served as a control. The weatherization measures were included both to test how heating system retrofit and weatherization measures would interact and to generate comparative economic data for the two measures.

While the evaluation was initiated and managed by EAP, it was carried out at the local level by CAP agencies across Minnesota which manage both energy assistance and weatherization programs. Each oil burner retrofit was performed by a local heating contractor or fuel oil dealer under contract to the local agency. Building shell measures were installed by CAP personnel or private contractors under contract to the local agencies. The average costs including administration of the retrofit packages were:

Burner retrofit	$ 565.00
Building shell measures	$1,350.00
Both	$1,915.00

Fuel consumption data for each home from the previous heating season, physical measurements of oil consumption after the retrofits, and Degree Day data were used to calculate the reduction in fuel use due to the retrofit measures. Average savings for homes in each of the groups were found to be as follows:

Burner retrofit	22.3% to 27%
Building shell measures	12.4%
Both	29.2%
Control (no measures)	.2%

These results are in general agreement with earlier studies of building shell retrofits and oil heating system retrofits. Two evaluations performed for Minnesota's weatherization program have shown similar savings from building shell weatherization measures. Studies by Brookhaven National Laboratory, the U.S. DOE, National Bureau of Standards, and others have documented similar savings for oil furnace retrofits.

A range of savings is quoted for the burner retrofit because the 22.3% figure is believed to be slightly low due to the atypically warm weather during the winter 1982-83 and the lower efficiency with which all common fuel fired heating systems operate in warmer weather, as well as other factors which are discussed in detail in the report. Both building shell and heating system retrofit measures would be expected to produce savings approximately 3% to 5% higher if the measurements had been taken during a typical Minnesota winter. An expectation of higher savings in the burner retrofit group is supported by the measured increase in steady-state efficiency of 18.9% which corresponds to a reduction in fuel use of 26.4%.

Combining the measured reduction in fuel consumption, the costs of the retrofit measures, and the average before retrofit Minnesota fuel oil bill of $1,200 yields the following benefits to costs ratios for the three retrofits which were tested:

EVALUATION RESULTS (ATYPICAL WINTER)

	$ saved 1st. yr.	/	cost	=	Benefits/cost ratio
Oil burner retrofits	$268	/	$ 565	=	.47
Building shell measures	$149	/	$1,350	=	.11
Both	$350	/	$1,915	=	.18

PROJECTED SAVINGS (TYPICAL WINTER)

	$ saved 1st. yr.	/	cost	=	Benefits/cost ratio
Oil burner retrofits	$314	/	$ 565	=	.55
Building shell measures	$155	/	$1,350	=	.11
Both	$364	/	$1,915	=	.19

In other words, each dollar spent on an oil furnace retrofit produces $.55 in benefit in the first year to the low-income recipient through fuel savings; each dollar spent for building shell modifications saves $.11; and each dollar spent on a combination of the two measures saves $.19.

These same figures can be used to calculate the simple payback of each of the retrofit measures and yield the following:

Conservation Measure	Payback
Oil burner retrofit	1.8 years
Building shell measures	8.7 years
Both	5.2 years.

ITEM 2

THE NEW YORK STATE
HOME ENERGY FAIR PRACTICES ACT
"HEFPA"
FACT SHEET
FOR USE BY CUSTOMER SERVICES REPRESENTATIVES

BACKGROUND - HEFPA became effective on October 19, 1981. This information has been summarized from the Final Regulations issued by the PSC on April 8, 1982.

1. CLASS OF CUSTOMER - HEFPA applies only to residential customers.

2. APPLICATIONS - In general, service must be provided to an applicant within 5 business days. If there is an outstanding balance at a previous address, service need not be turned on unless,

   a. the applicant makes full payment or
   b. the applicant agrees to make payments under a deferred payment plan or
   c. the applicant has a pending billing dispute or
   d. the applicant is recipient of public assistance or
   e. the PSC directs the provision of service.

   You must accept oral applications (name, phone, and address and address of prior account, if any) in all cases except:

   a. where the previous tenant or owner was shut off for non-payment, or is subject to a final notice of termination,
   b. where there is advanced consumption,
   c. where there is meter tampering,
   d. where the application is made by a third party.

   In these situations, a written application is required. NYSEG will require the applicant to produce personal identification and copies of lease, deed, etc,, to show date the applicant became responsible for service. If a customer moves within the territory and requests service within 60 days, service shall be considered a continuation, and all deferred payment agreements from the previous account shall remain in force.

   If you deny service for any reason, you must do so in writing within 3 days of the application.

3. COMMISSION RIGHTS - HEFPA empowers the PSC to order any New York utility to turn on service to a particular account regardless of the reason why it was terminated or denied.

4. TERMINATION OF SERVICE - No utility can terminate service until at least 15 days after the final notice of termination has been served personally on the customer or has been mailed to the service address. A final notice cannot be sent unless at least 23 days have elapsed since the date payment was due. Service may only be terminated between 8:00 a.m. and 4:00 p.m., Monday through Thursday provided that such day or following day is not a public holiday or a day on which NYSEG is closed.

   Service may be terminated for failure to pay a deposit.

   In the case of welfare recipients where we have no guarantee of future payments, Social Services must be notified not more than 5 days nor less than 3 days before the intended termination that the customer hasn't made payment and the earliest date on which termination may occur.

5. BILL DATES - As of May, 1982, all bills are due and payable upon receipt, and delinquent 23 days after the date of mailing if still unpaid.

6. MEDICAL EMERGENCIES - If such a customer is unable to pay charges, no utility can turn him/her off provided that such medical emergency is certified by a local board of health or doctor. Such initial certification is good for 30 days. The utility must then respond in writing to the customer to provide information on the renewal of certificates. A certificate may be renewed provided that the doctor states the expected duration and explains either the nature of the emergency or the reason why absence of service would aggravate the emergency. A renewed certificate shall remain in force for 30 days, 60 days, or "...such longer period as may be approved by the Commission or its designee." If however, the utility determines that the customer is able to pay the bills, it shall inform the customer, in writing, of such determination, stay the termination, and inform the customer that he/she has the right to go to the PSC for review. Only after such review can termination take place.

7. LIFE SUPPORT DEVICES - If certified by a doctor, such certification shall remain effective forever unless it is terminated by the PSC, provided that the customer demonstrates an inability to pay. If the Company intends to terminate service to such a customer, it must notify the PSC, in writing, of its intent, 15 days prior to termination.

8. ELDERLY, BLIND, DISABLED - If the only people in the household fit these conditions, service can't be terminated without first making diligent efforts to enter into an agreement as well as notification to DDS if an agreement can't be reached. Elderly is 62 or over. Service cannot be terminated for a minimum of 15 days after the referral. If service is terminated after all of these steps, attempts must be made within 10 days to recontact the customer and attempt to devise a plan that would result in reconnection of service.

9. COLD WEATHER PERIODS - In the period from November 1 through April 15, all utilities must observe certain procedures with respect to "heat related service," which is utility service necessary to operate the primary heating system. It also includes a safe, supplemental electrical heating device, provided the customer has informed the Company in writing, within the last 12 months, that such a device is needed because inadequate heat is provided by a third party who controls the primary heating system. Only in regard to those customers receiving heat related service, contact must be established at least 72 hours prior to the intended termination to ascertain whether a resident is likely to suffer serious impairment to health or safety as a result of termination. Calls are to be attempted during business hours and during reasonable non-business hours. An on-site visit is required if attempted calls are unsuccessful. If all these efforts are unsuccessful, service can be terminated. No termination is allowed however, if impairment to health or safety could occur as a result of the termination.

10. MULTIPLE DWELLINGS - Service cannot be terminated unless 18 days written notice is mailed to the owner, 15 days notice is posted in public areas of the building and 18 days written notice is mailed to the occupant of each unit in the dwelling, as well as notifications to certain governmental organizations. Notice to DSS, chairman of County Legislature, etc., shall be repeated not more than 4 working days nor less than 2 prior to termination. In cold weather periods, if heat related service is involved, 30 days notice must be provided. The Company must also offer to help work out a mechanism for avoiding termination of service. If occupants are to pay the bill, the Company can only require that they pay current charges. Basically the same protection is offered to tenants of legal, two-family houses not separately metered. Any occupant can elect to take the account in his name and become liable for all future bills or, the occupant can pay current charges. If this second option is chosen, the Company must continue to render bills to the owner, but provide copies to the occupant upon request.

11. TERMINATED SERVICES - Once the conditions for reconnection are satisfied, the service must be reconnected within 24 hours.

12. DEFERRED PAYMENT AGREEMENTS - No utility can terminate or refuse to restore service unless it offers the customer a deferred payment agreement. You cannot insist on a down payment in excess of 50% of the arrears. The utility shall serve the offer upon the customer no less than 5 days prior to termination or 8 days if mailed. If monetary circumstances change, the customer may request a second deferred payment agreement. All such agreements are to be signed by both parties and each shall receive a copy.

13. DEPOSITS - The following rules apply:

    1. Deposits and prepayments are allowed in the cases of short-term or seasonal customers.

2. A customer who left an account with a balance more than 60 days before applying for a new account is a new customer and cannot be charged a deposit. A customer who left a previous account less than 61 days before with at least 2 months or 1 bi-monthly bill in arrears and has not paid at least ½ of the arrears can be asked for a deposit as he is not viewed as a new customer, but rather as a continuing customer.

3. Current customers can be asked to pay a deposit if they accumulate 2 consecutive months of arrears without paying one-half of the total arrears, or, fail to make one-half payment on a bi-monthly bill within 50 days after it is due, provided that the Company asks for the deposit within 2 months after the arrears occur. Deposits can also be required if service was terminated for nonpayment within the last 6 months.

4. If you intend to require a deposit, the customer has to be notified 20 days prior so he/she has a chance to pay and prevent the deposit requirement. Failure to make timely payment will result in the requiring of a deposit.

5. Deposits can be paid off over a 12-month period.

6. No utility can demand a deposit from a customer 62 years of age or older unless service had been terminated for non-payment within 6 months.

14. ESTIMATED BILLS - Where a utility has sent estimated bill(s) and these estimates understate the actual amounts owed for the period when estimated bills were rendered, by 50% or $100, whichever is greater, the utility must notify the customer in writing that the difference can be paid in monthly installments.

15. BACKBILLING - No utility shall charge a residential customer for service rendered more than 6 months prior to mailing of the first bill for service, unless the failure to bill was not due to neglect by the utility or there was culpability on the part of the customer.

    In the case of existing accounts, backbilling cannot exceed 2 years unless the culpable conduct of the customer caused our inability to render accurate billing (such as refusing access to meter or meter tampering). Backbilling of 1 to 24 months on existing accounts can be done if culpable conduct on the consumer's part is present, if billing was not due to our neglect (a slow meter where the condition wasn't readily apparent), if such adjustment is necessary to adjust a budget plan, or if there was a dispute concerning charges for service during the period. The customer has the right to pay the backbilling installments lasting more than 3 months.

16. EMERGENCY HOTLINE TO THE PSC - The PSC hotline is available to consumers between 7:30 a.m and 7:30 p.m. on any business day.
    The number is 1-800-342-3355.

ITEM 3

EXECUTIVE SUMMARY
ENERGY SAVINGS EVALUATION - WEATHERIZATION ASSISTANCE PROGRAM

An Energy Savings Evaluation of the Department of Energy's Weatherization Assistance Program (WAP) was recently completed by the Energy Information Administration. Although not totally comprehensive, it is a statistically valid study, which provides valuable information in a number of areas which have provoked questions over the years. The key points of the study may be summarized as follows:

1. Energy Saved - The study demonstrates that the weatherization program saves, on the average, in excess of 13 percent of a home's heating energy. In achieving this level of savings: 1) the study shows that 50 percent of weatherized homes surveyed showed an energy savings of 10 percent or more (23 percent saved 20 percent or more); and 2) 23 percent used more energy the year after weatherization. Clearly, DOE needs to examine those elements of occupant behavior that most strongly contribute to differences in energy savings.

2. Real Homes - This study was not based on preselected weatherized homes, nor did it select homes which were weatherized on a demonstration basis. The researchers selected actual homes that were weatherized by the DOE program in 1981. Statistical procedures were used to insure a random sample of homes. Finally, none of the homes were eliminated from the sample because they used more energy after weatherization (which has occurred in other studies).

3. National Sample - The homes surveyed were randomly selected from across the country. Homes from twenty-four States (111 counties) and the District of Columbia were included in the study. To date no other study can claim such broad and unbiased representation.

4. Findings - The study confirms that insulation is a key measure for producing energy savings in the program. It also indicates that installing storm windows and doors may be important in increasing energy savings. Finally, it confirms that the program is reaching elderly persons in accordance with the program's priority requirement.

5. Other Initiatives - The study raises but does not answer a number of questions and points to the need for follow-on work. We now have documented evidence that insulation (a standard weatherization measure) is important in increasing energy savings, but we need to determine under what specific circumstances the greatest savings are achieved. We also know that certain higher cost weatherization activities seem to lead to higher energy savings, but more specifics are needed to determine optimal combinations of measures. The study results also lead DOE to believe more attention should be paid to client behavior in weatherized homes. DOE is proceeding to examine these issues in depth.

Because this undertaking was designed as a national study, the sample size may not be sufficient to allow localized conclusions to be drawn. While one must be cautious in interpreting the results, we believe this study is an important first step in validating the significant program accomplishments achieved through the efforts of all involved in its operation.

ITEM 4

Department of Energy
Washington, D.C. 20585

June 11, 1984

Honorable John Heinz
Chairman
Special Committee on Aging
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On March 2, 1984, Under Secretary Pat Collins appeared before your Special Committee on Aging to discuss the energy assistance program for weatherization.

On June 6, 1984 you submitted written questions for response to supplement the record. Enclosed are the responses to those questions.

If you have any questions, please call Ingrid Nelson or Tom Pretorius of my staff on 252-4277. They will be happy to assist you.

Sincerely,

for Thomas H Pretorius

Robert G. Rabben
Assistant General Counsel
for Legislation

Enclosure

Question 1: **What is the basis for the statement in your testimony that energy savings from the Weatherization Program are estimated at 20-25%? In addition to other supporting documentation, the Committee requests a copy of the evaluation of the program which was mentioned by Mr. Flynn - both in the original form in which it was submitted to the Department of Energy last fall and in its latest version.**

Answer: The Department bases its current estimate of energy savings due to the weatherization program on a report by the Consumer Energy Council of America, issued in June 1981. This report examined the energy savings and costs of weatherization under a variety of circumstances in order to assess what the program had done and also what it could be expected to do. This report found that "In the DOE program, the average investment in weatherization was $968 and the reduction in energy consumption averaged 26.7%." The 20-25% normally estimated for the weatheriztion program is the high and low estimate from the study which looked at all weatherization programs, not just the DOE weatherization program.

The Response Analysis Report, which Mr. Flynn referenced, has been submitted in draft review form only at this point. The published report will not be available until August.

Question 2: Over the winter of 1980-81, DOE (the Weatherization Assistance Program and the Office of Building Energy Research and Development) sponsored a study (Increasing Benefits of Energy Assistance Programs Through Oil Furance Retrofit, July 1981) which documented that flame retention burner retrofits produced four times the energy savings per dollar invested compared with the traditional building shell retrofit measures which are the focus of DOE's program. Yet, in 1984, flame retention burner retrofits are not a routine measure under DOE's program.

Since it seems that DOE has not aggresively attempted to incorporate this proven highly cost-effective technology in the program, even though it has been permitted under the program's regulations since 1978, what assurances can you give the Committee that your recent modifications of the regulations will cause other new technologies to be incorporated into the program?

Answer: The Department has funded a demonstration program with the Alliance to Save Energy (ASE) to test a number of technologies that previously were not allowed. These include gas, electric and oil retrofits as well as further investigation of the warm room concept. The Alliance is expected to develop training packages and other supplementary materials needed to allow rapid implementation of these technologies. Although States must ultimately determine which measures will be utilized under the program, DOE believes that the additional regulatory flexibility and the technical assistance being provided by ASE will help to implement these technologies faster than otherwise possible.

Question 3: At the present rate of weatherization completions and at the present funding level, it would take approximately fifty years to weatherize just those homes which are eligible today. In view of these facts, how can the Department consider an annual appropriation of $190 million adequate for the program?

Answer: The Department believes that a $190 million annual appropriation is adequate considering the budgetary framework within which such funds are being requested. In addition, DOE believes the Federal effort must be augmented by increased funding from the private sector. The Innovative Financing Demonstration recently implemented by the Department is a first step towards exploring methods of obtaining the additional funds needed.

All States can take advantage of the 15% option under LIHEAP. That option allows a State to spend up to 15% of its LIHEAP funds on "low-cost conservation". Weatherization, under DOE's program, qualifies for this option. Under current allocations for LIHEAP, $280 million could be available to add to the national weatherization effort, if each State exercised their LIHEAP option.

These two sources would bring the total funds available for the national weatherization effort to about $470 million. We believe that $470 million is close to the maximum capability of the States to deliver the program.

Question 4: In relationship to the Petroleum Overcharge Restitution Fund, how much money under subpart V procedures is currently contained in the escrow account at DOE?

Under the subpart V procedures, what projections does DOE have regarding the amount of money available in the Petroleum Overcharge Restitution Fund by the end of Fiscal Year 1984 (September 30, 1984) for which there are no claimants?

Answer: As of April 30, 1984 the escrow account relating to the Petroleum Overcharge Restitution Fund contained $484 million, of which $460 million has been made available through agency procedures to afford claimants an opportunity for a hearing as to whether they were injured.

DOE estimates that some $5 to $6 billion in overcharge monies will eventually be recovered. At this time, however, due to litigation and settlement agreements that are currently pending, DOE is unable to make a precise estimate as to the amount of money that will be available in the Petroleum Overcharge Restitution Fund escrow account at the end of this fiscal year.

JOHN HEINZ, PA, CHAIRMAN
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DAVID A. AFSEY, MINORITY STAFF DIRECTOR

United States Senate
SPECIAL COMMITTEE ON AGING
WASHINGTON, D.C. 20510

April 6, 1984

The Honorable Pat Collins
Under Secretary
U.S. Department of Energy
James Forrestal Building
1000 Independence Avenue, SW
Washington, D.C. 20585

Dear Mr. Collins:

I am writing to express my sincere appreciation for your testimony before the Senate Special Committee on Aging on March 2 regarding issues related to the Federal Low-income Weatherization Program. I apologize that an emergency in my home State of Penasylvania required me to be absent from the hearing, but I understand from Senator Pryor that your comments were both thoughtful and relevant.

After examining the hearing transcript, I believe that this was an excellent opportunity for the Committee to gain a further understanding of the current status of the Weatherization program, as well as to receive a number of strong recommendations for potential changes in the legislation. Your testimony will be helpful as the Committee formulates recommendations to the Committee on Labor and Human Resources which currently has jurisdiction over the reauthorization of the Weatherization program.

As Senator Pryor indicated to you during the hearing, the Committee has some additional questions that we would appreciate you responding to. Those questions are enclosed, and it would be most helpful if we could have your response no later than May 1. Please have your staff contact Mr. Michael Rodgers at 224-5364 regarding any additional questions you may have.

Once again, on behalf of the members of the Aging Committee and myself, I thank you for your imput and for helping to make our hearing a productive and informative appraisal of the Weatherization Program.

Warm regards,

JOHN HEINZ
Chairman

U.S. Senate Special Committee on Aging
Low-income Weatherization Hearing
March 2, 1984

Additional Questions for the Honorable Pat Collins

1) What is the basis for the statement in your testimony that energy savings from the Weatherization Program are estemated at 20-25 %? In addition to other supporting documentation, the Committee requests a copy of the evaluation of the program which was mentioned by Mr. Flynn - both in the original form in which it was submitted to the Department of Energy last fall and in its latest version.

2) Over the winter of 1980-81, DOE (the Weatherization Assistance Program and the Office of Building Energy Research and Development) sponsored a study (Increasing Benefits of Energy Assistance Programs Through Oil Furnace Retrofits, July 1981) which documented that flame retention burner retrofits produced four times the energy savings per dollar invested compared with the traditional building shell retrofit measures which are the focus of DOE's program. Yet, in 1984, flame retention burner retrofits are not a routine measure under DOE's program.

   Since it seems that DOE has not aggresively attempted to incorporate this proven highly cost-effective technology in the program, even though it has been permitted under the program's regulations since 1978, what assurances can you give the Committee that your recent modifications of the regulations will cause other new technologies to be incorporated into the program?

3) At the present rate of weatherization completions and at the present funding level, it would take approximately fifty years to weatherize just those homes which are eligible today. In view of these facts, how can the Department consider an annual appropriation of $190 million adequate for the program?

4) In relationship to the Petroleum Restitution Overcharge Fund, how much money under subpart V procedures is currently contained in the escrow account at the DOE ?

   Under the subpart V procedures, what projections does DOE have regarding the amount of money available in the Petroleum Restitution Overcharge Fund by the end of Fiscal Year 1984 (September 30, 1984) for which there are no claimants?

*****

ITEM 5

TESTIMONY
Presented to the Senate Select Committee on Aging
The Honorable John Heinz, Chair

March 2, 1984

by
Dr. Lance C. Buhl, Program Associate
Office of Corporate Contributions
The Standard Oil Company (Ohio)

On behalf of The Standard Oil Company (Ohio), I want to extend appreciation to this Committee for the opportunity to describe the company's efforts in promoting low income residential energy conservation and to comment on the modifications to the federal weatherization legislation of 1976, as proposed in Senate Bill 1953.

Let me begin by sketching the background for SOHIO's decision to support local weatherization projects through Corporate Contributions, the company's grantmaking arm. (A more complete description of SOHIO's Urban Energy Program is appended.) In 1981 SOHIO's senior management reorganized its contributions program to reflect the company's recent emergence as a leading national energy concern. Our task was to develop several contributions initiatives which would respond to critical problems affecting the well-being of people in communities where SOHIO has major facilities. As an energy company, SOHIO recognized that a particularly severe problem is the vulnerability of low income people in those communities to rising home heating costs, which is magnified by inadequate home insulation and inefficient heating systems.

In Cleveland, SOHIO's headquarters city, for example, the problem is most severe. Ten percent of all Ohio families who qualify for emergency assistance under the Low-Income Home Energy Assistance Program (LIHEAP)--nearly 60,000 families--reside in Cleveland. While undoubtedly a greater concentration of eligible households than in other northern tier cities where SOHIO does business, Cleveland is a prime example of a societal problem of great bearing on the well-being of our low-income neighbors, the elderly chief among them.

SOHIO's Urban Energy Program, which I manage, was launched in February 1982. Since then, SOHIO contributed $1,046,524 to a variety of home weatherization and furnace repair projects. Understandably, Cleveland has been the primary demonstration site for these grants. The intention was and is to assist low income families to reduce home energy consumption and, in consequence, reduce their dependence upon subsidies to pay ever increasing heating

bills. The company's intention is not to duplicate federal direct emergency subsidies or to substitute our program in place of the public's proper weatherization role. The problem is too widespread for any private sector initiative to resolve. Rather we hoped to fashion a program that, in partnership with public and other private entities, might demonstrate several principles necessary for a systematic, cost-effective approach to meeting the challenge.

The first operating principle is the grass-roots approach. In Cleveland alone, SOHIO supports thirteen neighborhood-based projects: the City's basic No Cost/Low Cost Weatherization Program, operating on behalf of the elderly, handicapped and other low-income families in all twenty councilmanic wards: seven community development corporations, each operating in a severely depressed neighborhood and each undertaking extensive residential weatherization work; four settlement houses, also responsible for extensive weatherizations in depressed neighborhoods; and a city-wide community development corporation which performs assessments, cleaning, and minor and major repairs on furnaces in the homes of low-income families in each of the eleven especially targeted neighborhoods. It is our experience that neighborhood-based projects are most likely to overcome residents' resistance to have someone come into their homes to sell a little-understood home improvement. This fear is a major reason why the Residential Energy Service concept, as presently organized, has been so unsuccessful in low-income areas. Recognizing this fact, the East Ohio Gas Company in Cleveland contracted with several of the SOHIO-supported neighborhood organizations to undertake RCS audits last year. The neighborhood approach was a great success, and we regard it as an important spin-off of the Program.

The second principle is sound but flexible project management. Each grantee organization in the program is held strictly accountable for the uses to which SOHIO dollars are put. They have met this requirement fully and, in the process, increased their capacities to serve neighborhood people. For example, several grantees train and employ disadvantaged high school students and previously unemployed adults for weatherization work. As important, SOHIO's dollars are used to fill gaps in weatherization and furnace-repair work which are created by adherence to less flexible federal and state funding caps and work rules. Given the deteriorated condition of most Cleveland inner-city housing stock, existing caps on what may be spent on any home often preclude work necessary to seal homes against cold air. Present federal and

state work rules also preclude extensive furnace repair work. A poorly functioning furnace accounts for inordinate energy consumption and can undo the gains realized from insulation treatments.

In this connection, SOHIO was pleased to grant $72,000 to the Alliance to Save Energy to create oil- and gas-retrofit demonstration projects in Ohio, Alaska, Colorado and Utah. Significantly, the Alliance's work in Ohio is tied in part to the furnace repair program in Cleveland. The tie with the Alliance illustrates another feature of sound management--leveraging SOHIO dollars. The Alliance demonstration project has resulted in commitments of $1,250,000 in state weatherization monies from the four participating states. The Cleveland projects supported by SOHIO have leveraged at least another $1.5 million in state weatherization funds, City Community Development Block Grant funds, private foundation grants, and East Ohio Gas Company energy audit contract income. Several of the neighborhood groups, for example, qualify as state weatherization contractors; as others qualify, the leveraging ratio should increase substantially.

Third, SOHIO insists on evaluation of effort. It is not enough that grantees tell us that, together, they have weatherized 2,350 homes and completed 150 furnace repair jobs in two years. That is impressive, although only a small dent in the magnitude of Cleveland's problem. Nor is it sufficient that each group conducts quality checks and client satisfaction surveys, both of which indicate overwhelming success. We want to know whether this work is having the desired impact--reducing energy consumption for the elderly and other low-income people. An integral part of SOHIO's Urban Energy Program was a grant of $42,500 to the Center for Neighborhood Development of Cleveland State University to monitor the work of all 13 projects and to conduct energy consumption evaluations. Using East Ohio Gas Company data, the Center has determined that average energy consumption has been reduced 20 percent per household for weatherization projects alone. Future evaluations will include a broader sampling and both furnace repair and furnace retrofit work. The evaluation of impact, moreover, is sensitive to the effects of differing weatherization and furnace repair technologies. Materials and technologies have varying results and undergo continual changes. Project managers need to keep up with the data and respond appropriately in order to increase the cost-effectiveness of their work. It is hard to imagine committing scarce

resources to projects of this magnitude and importance without insisting on evaluation of technologies and materials, output production, and especially, desired results.

The fourth operating principle is coordination of effort. One of the conditions of SOHIO's grants for residential energy conservation is that all Cleveland Urban Energy Program grantees work together to share information, make interagency referrals of clients, mount common public education and staff training programs, and plan together for future work. Grantees have formed a SOHIO Weatherization Program Steering Committee. Meeting at least monthly, this Committee has established an integrated system for meeting the low-income residential energy challenge, putting both SOHIO funds and all other monies to maximum use and benefit. At SOHIO we believe that we have materially assisted in creating a model program for Cleveland, one which can be replicated elsewhere.

Given SOHIO's track record, and my close working relationship with these programs and the Ohio state weatherization office, I welcome this opportunity to comment on the modifications to the 1976 Energy Conservation in Existing Buildings Act proposed in Senate Bill 1953. My reading indicates that this legislation would put into practice at least two of the principles SOHIO has found to be significant in ensuring the cost-effectiveness of its own Urban Energy Program.

First, the modifications promise to implement the principle of sound, flexible management. S. 1953 would require states to submit detailed annual weatherization plans that account for the number of eligible homes to be weatherized, and provide documentation which supports each state's audit, expected costs and fuel savings, and policies for coordinating weatherization with LIHEAP. Similarly, the Secretary of the Department of Energy would be required to include in the Department's annual report to Congress information on the magnitude of the problem, the rate of progress in minimizing the problem through weatherization, and plans for providing training and technical assistance to local program operators. The bill would also increase the ability of states to get the job done by permitting them to select from allowed energy audit procedures, including proven furnace repair and retrofit measures. In addition, under this legislation, states could use the stipulated cap per house (adjusted for inflation) as a state average, thus allowing

weatherization of large or severely deteriorated homes and replacement of defective heating systems.

Second, S. 1953 would implement the principle of evaluation through calling for a method for evaluating both energy savings and use of relevant technologies. The data reported surely would be of assistance to decision-makers at all levels, from members of Congress to state and local project managers and contractors. All aspects of the current federal weatherization program--planning, training and application of building shell and furnace retrofit technologies--need to be improved. Under S. 1953, taxpayers would be assured that scare public funds are making measurable differences in the quality of life for themselves and their neighbors.

It may be difficult to work the principles of the grass roots approach and coordination of local effort into federal legislation. If there is any way to do it sensibly, I would urge this Committee to do so. We have found that neighborhood-based organizations work effectively and, very probably, better than delivery systems without their participation to guarantee that low income people are well served by the weatherization program. Knowing their communities intimately, they facilitate acceptance of energy-conserving measures. Clearly, emphasizing coordination among local project staffs increases the likelihood that dollars will be used with increasing efficiency.

Senators, the nation's problem with energy-inefficient housing is severe and growing worse. The health and well-being of millions of our nation's elderly and low income people are quite literally at stake during harsh winter months. SOHIO has been privileged to contribute to meeting the challenge. But the brunt of the challenge falls to the public sector. Proposed measures which will strengthen governmental responses, such as are contemplated in S. 1953, deserve careful consideration.

I shall be glad to respond to questions about this testimony from the Committee. Thank you.

LCB/jab
R0001
3/6/84

THE URBAN ENERGY PROGRAM
of
The Standard Oil Company (Ohio)

In late 1981 the Corporate Contributions Committee of Sohio's Board of Directors authorized development of an energy and natural resources program as one of several major initiatives for the company's contributions effort over the coming years. The Committee directed corporate contributions staff to create within the larger program an urban energy focus, the intent of which is to promote energy conservation in the face of rapidly rising fuel costs. Since February, 1982, Sohio has committed $2,468,149 to urban energy demonstration projects.

Sohio's urban energy strategy is multi-faceted. First, the company wishes to assist those most vulnerable to rising energy costs--low- and fixed-income persons--principally through weatherization activities that result in their being better able to contain costs and, at the same time, to keep their homes warm during winter months. Senior management views assistance of this sort as an integral part of the company's commitment to improving the quality of life in those communities where it does business. Sohio's program does not preclude grants for direct assistance payments to supplement federal/state Home Energy Assistance Program (HEAP) support. Senior management and directors, however, clearly prefer a weatherization focus which is both a longer term solution and more likely to break the cycle of dependency than direct assistance payments. (See attached chart under Energy Assistance Program.)

The second aspect of the urban energy strategy is to encourage nonprofit organizations--social service agencies, health and educational institutions, local governments--to develop sound energy management practices. Many of these organizations provide essential services to inner-city, often poor, residents. Increasingly their budgets are strained to meet rising energy costs. For example, conservative estimates suggest that the proportion of human service budgets absorbed by energy bills has risen from under 5% to over 10% in the last few years in northern cities. Sohio's strategy is similar to that which guided Standard Oil of Indiana in responding to this situation. Both companies have taken the lead in creating nonprofit energy conservation funds in their headquarter cities. While differing in financing mechanisms, Amoco's and Sohio's programs assist human service organizations to finance the cost of energy retrofit work and provide technical assistance as institutions develop long-term energy management policies and practices. Sohio has taken the lead in creating the Cleveland Nonprofit Energy Conservation Fund and seeking support for the Fund from other Cleveland corporations and foundations. Toward the same end, Sohio has helped to support 1) the City of Cleveland's unique revolving loan fund to finance energy retrofit work on municipal buildings and 2) a comprehensive energy planning and demonstration project undertaken for major health, cultural and educational institutions in Cleveland's University Circle area. (See attached chart under Nonprofit Energy Conservation Program.)

Sohio's urban energy strategy has a third characteristic which cuts across all of the company's grants in energy conservation. Sohio seeks to stimulate collaborative efforts among fundors and especially among grantees. Sohio understands that resolving the urban energy problem requires multiple efforts and multiple sources of funding. As a matter of prudent contributions investment, Sohio seeks to leverage its grant dollars with those provided by government, other corporations and foundations. Equally important, Sohio's management believes that projects insulated from one another will not be as cost-effective as ones which actively cooperate together for common purposes. In the highly leveraged residential energy conservation program in Cleveland, for example, Sohio stipulated that grantee organizations must join together in a Steering Committee to coordinate their projects for maximum coverage of the city's low-income residents, to trade technical information, and to discover gaps in coverage in order to guide further program activities. Sohio provided grant funds to underwrite the Steering Committee's activities. As a result of those activities, the package of proposals Sohio received (and funded) for 1983 activities was stronger with respect to coverage and technical detail than was the 1982 package. Similarly the collaborative nature of the University Circle project was a principal factor in Sohio's decision to provide support in that instance.

While most of Sohio's grant activity in urban energy to date has been directed to the greater Cleveland area, the long run intent is to find analogous grantmaking opportunities in other Sohio locations. In this regard, Sohio recently funded the Alliance to Save Energy to provide training and technical assistance to state energy agencies in Ohio, Alaska, Colorado and Utah and to Lutheran Housing Corporation of Cleveland for residential furnace retrofit demonstration projects for low income families. (See A.5.) Through this public/private partnership, Sohio's dollars will leverage well over $1 million in public monies, benefiting more than 1,000 families.

It is too early in the history of Sohio's urban energy program to offer conclusive data about effects or transferable models, but preliminary findings suggest that projects are meeting stated objectives and can be replicated.

LCB/jab
November, 1983

SPECIFIC GRANT ACTIVITY
in
SOHIO'S URBAN ENERGY PROGRAM

(1982 - November, 1983)

A. Energy Assistance Program--Residential ($1,046,524)

1. City of Cleveland ($169,517)

(Support of the city's No Cost/Low Cost Residential Weatherization Program, aimed at the elderly and handicapped in each of the city's councilmanic wards.)

2. Cleveland State University ($191,500)

a. Specific Neighborhood Residential Weatherization Programs ($149,000)

1. Buckeye Evaluation and Technical Institute ($26,200)
2. Cohab, Inc. ($30,000)
3. Glenville Housing Foundation ($15,000)
4. Near West Housing Corporation ($15,000)
5. Tremont West Development Corporation ($27,800)
6. Union Miles Development Corporation ($15,000)
7. W.I.N.D. Program of Broadway Area Housing Coalition ($20,000)

b. Center for Neighborhood Development ($42,500)

(To evaluate programs A.1. through A.4. and to undertake related housing and employment studies)

3. Greater Cleveland Neighborhood Centers Association ($311,628)

a. Specific Settlement House Weatherization Projects ($271,628)

1. Collinwood Community Services Center ($68,270)
2. Friendly Inn Settlement ($77,990)
3. University Settlement ($68,270)
4. West Side Community House ($52,978)
5. Administrative services, GCNCA ($4,120)

b. Weatherization Steering Committee (for all projects) ($40,000)

4. Lutheran Housing Corporation ($226,000)

a. Furnace Repair Program ($161,000)
b. HEAP Intake and Referral Project ($65,000)
(To ensure that families most vulnerable have access to no cost weatherization programs)

5. Alliance to Save Energy ($72,000)
   (Residential furnace retrofit projects)

6. Cleveland Tenants Organization ($4,970)
   (Vanguard Apartment No Cost/Low Cost Demonstration Project)

7. Massillon (Ohio) Urban League ($53,309)
   (Residential energy demonstration project)

8. Council for Economic Opportunity ($17,600)
   (Direct supplement payments through existing HEAP program)

B. Nonprofit Energy Conservation Program ($1,421,625)

1. Lutheran Housing Corporation - Cleveland Nonprofit Energy Conservation Fund ($1,125,000)

2. City of Cleveland Energy Conservation Program ($180,000)
   (Partial support for the City's Revolving Energy Fund)

3. University Circle, Inc. ($76,625)

4. Related grants (operating support)

   a. Alliance to Save Energy ($30,000)
   b. Community Energy Partnerships ($10,000)

ITEM 6

ENERGY CONSERVATION COALITION

COMMENTS ON S. 1953,
THE WEATHERIZATION ACT OF 1983

Presented on behalf of the
following members of the
Energy Conservation Coalition:

Federation of American Scientists
National Wildlife Federation
United Methodist Church--Board of Church and Society
National Consumer Law Center
Natural Resources Defense Concil
Union of Concerned Scientists
Solar Lobby
Environmental Action Foundation
National Audubon Society
Environmental Policy Institute
Environmental Defense Fund
National Consumers League
Friends of the Earth
Sierra Club

Submitted to the
Senate Special Committee on Aging

March 2, 1984

1725 I Street, Northwest, Suite 601, Washington, D.C. 20006 (202) 466-5045

The Energy Conservation Coalition (ECC) commends Mr. Heinz for introducing and holding hearings on S. 1953, "The Weatherization Act of 1983." ECC believes S. 1953 makes many needed changes in the low-income weatherization program.

Weatherization of Rental Units. We are especially heartened that S. 1953 begins to address the problem of energy conservation in multi-family rental units. Very little has been done to date to weatherize the apartments of low-income persons. Such units account for at least half of the 13 million units believed to be eligible for low-income weatherization funds. There would be much benefit to both the nation and low-income apartment dwellers if ways can be found to expand the low-income weatherization program to include more of these units. We believe this legislation would be improved if it specified the amount of each year's appropriation that would go to the pilot project grants described in section 416(b). Funding should be sufficient to repeat on a larger scale the successful programs conducted in Massachusetts, Minnesota, and the Tennessee Valley.

Better Linkage between programs. We approve of the recommendation that policies be established to provide for better coordination between the weatherization program and the low-income energy assistance program, including the provision for exchange of lists of recipients. The great disparity in size between the two programs (200,000 units annually for the weatherization program vs. nearly 7 million households for the low-income energy assistance program) means that unless the weatherization program receives significantly greater funding, they may simply end up collecting names of persons they could assist if only they had the funds.

Better linkage should also be sought between the Residential Conservation Service (RCS) and the Weatherization Program. Recent regulations issued by the Department of Energy allow states to use the RCS audit in the weatherization program. We urge that this legislation encourage DOE and the states to fully utilize such program linkage. Interviews[1] conducted this past summer with Energy Directors and key conservation program administratrs in 25 states

revealed that these individuals believe that the two major limitations of the RCS program were: 1)that it does not reach those individuals most in need of audits and advice--low income homeowners and renters; and 2)even when utilities aggressively implement RCS the focus is on conducting the audit itself rather than using it as a step toward conservation. Greater linkage between RCS and the weatherization program will help make both programs more effective.

Evaluation Activities. ECC is concerned that adequate funds be made available for the monitoring, evaluation, and information transfer activities suggested in S. 1953. To date, the weatherization program has had only cursorial evaluation. In times of budget stringency evaluation funds have been cut first. Yet, evaluation offers the surest means of identifying and correcting problems. Funding of regular and systematic evaluation programs should be guaranteed.

Funding Levels. ECC appreciates the intent of S. 1983 to increase FY 1985 weatherization funds significantly over FY 1984 levels. We also appreciate the scaling-up of the program during FY 1986 and FY 1987. The Coalition, however, believes that the weatherization program requires a considerable increase in funds if all eligible units are to be weatherized within a reasonable time. ECC supports a funding level of at least $500 million for FY 1985 and still more funds in subsequent years. At the current rate of funding it will take at least 50 years to weatherize the remaining 13 million eligible units. In Pennsylvania, by the end of 1982 only 15,100 of the 650 thousand households eligible for the program had received weatherization aid. ECC believes the weatherization of all remaining units within a decade should be the nation's goal. It will be much more cost effective to weatherize these units in a timely fashion. Without weatherization of eligible homes, low-income consumers will continue to pay for heat that goes right out the window. With weatherization, low-income households could save up to 25 percent on their energy bills. Low-income weatherization is a one-time investment that reaps dividends year after year for both the low-income consumer and the nation. Consumer dollars saved through weatherization can have a significant impact overtime. One million dollars spent on weatherization can create an estimated 50 jobs initially and another 150 jobs over the life of the investment.

Summary. ECC supports many of the features of S. 1953. In particular, ECC supports the pilot program proposed for rental housing and urges that it be adequately funded. ECC urges better linkage between the low-income energy assistance program, RCS, and the weatherization program; ECC believes that evaluation is an important component of the weatherization program and supports adequate funding for evaluation, monitoring, and information activities. Finally, ECC appreciates the increased funding levels in S. 1953, but

believes that still more funding is needed if all eligible units are to be weatherized in a timely fashion. ECC supports reauthorizing the low income weatherization program for 10 years and believes that all remaining units eligible for the program should be weatherized within that period.

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[1]These interviews were conducted by Dr. Stephen Sawyer, Professor of Geography at the University of Maryland-College Park.

ITEM 7

Philadelphia Gas Works
James G. McKee
Chief Executive Officer

1800 North Ninth Street, Philadelphia, Pa. 19122
Telephone: (215) 978-3010

March 7, 1984

The Honorable John H. Heinz, III
Chairman
U. S. Senate Special Committee on Aging
SD-G33
Washington, DC 20510

Dear Senator Heinz:

The Philadelphia Gas Works appreciates this opportunity to submit written testimony on S. 1953 to the Special Committee on Aging. PGW is the nation's largest municipally-owned utility. We serve nearly 520,000 customers, 95% of whom are residential gas customers. In a situation that is unique for gas utilities, residential heating comprises nearly 75% of our service load.

Our service territory is limited to the City of Philadelphia, which means our customers as a group have some special characteristics:

- While the City's population has declined, the number of its poor households increases. The number of households in Philadelphia living below the federal poverty level has increased by 25% over the past decade to 125,000.
- Nearly one out of every four PGW residential heating customers is eligible for low-income home energy assistance.
- The parts of our community that traditionally suffer high rates of poverty -- the elderly, minorities, and female-headed households -- have increased in proportion within the general population.
- On a City-wide basis, the elderly now make up 14% of the population.
- Approximately 105,000 of our customers are elderly and receive a 20% discount on their gas bills. This saved them nearly $14 million last winter.

Please note: These statistics are taken from the recently released Report on the Home Heating Needs of Low-Income Households in Philadelphia: Dimensions of a Persistent Problem. This excellent study was conducted under the auspices of the Philadelphia Energy and Poverty Task Force. We understand that a copy of that report is being submitted to the Committee by the Task Force.

PGW believes that a vital component of the effort to solve the home heating needs of our poor and elderly customers is full, effective and cost-efficient weatherization and well-designed conservation education programs.

Our ratepayers now support a number of efforts toward this goal, which are described in detail in the attached report, Energy Conservation Programs at the Philadelphia Gas Works. These programs add up to an approximate PGW conservation budget of $6.2 million for the 1983-84 fiscal year. Of this amount, nearly 60% is supported through PGW rates . . . while the balance of 40% is derived from "external" sources. These programs include "Home Energy Workshops", a 'Low Cost/No Cost Energy Conservation Installation and Education Program" and a "Winter-Wise Loan Program" with very attractive repayment terms.

But we need greater and better use of government resources if we are to make significant strides toward serving our customers in need.

For that reason, we support passage of S. 1953. We particularly support its aim of:

- More resources for the program;
- More flexible weatherization treatment;
- Funding of education programs;
- Better training of workers; and,
- Improved quality control.

We only wish current budget conditions would allow for a greater level of funding.

If I can add any support to the above cause, please contact me.

Very truly yours,

JAMES G. McKEE

ram
Enclosure

SUMMARY

ENERGY CONSERVATION AT THE PHILADELPHIA GAS WORKS 1984

In 1977, the Philadelphia Gas Works became the first major utility company in Pennsylvania to develop a residential conservation plan to shelter its customers from rising energy prices. With the advent of the Philadelphia Residential Energy Efficiency Plan in 1982-83, PGW has continued to play the lead role in the City's residential energy conservation efforts.

As a result of this planning and implementation, PGW presently is involved in conservation efforts that revolve around:

- Conservation Financing
- Conservation Education
- Conservation Marketing

CONSERVATION FINANCING

The "0%" interest loan approach is the foundation for PGW's Winter-Wise Programs; but the Company also seeks a variety of public and private funds to further reduce conservation financing costs for its gas customers.

CF-1 Winter-Wise Program

For a total cost of approximately $700, PGW's "Winter-Wise" Program (begun in June, 1980) offers the guaranteed installation of automatic clock thermostats, automatic vent dampers and R-30 roof insulation to residential gas heat customers. Customers pay for these items on a cash basis, within 90 days or finance the installation with a no-money down 0% interest loan for up to five years. An independent analysis of fuel savings from the installation of all three weatherization measures has found an average net savings of 28% and up to 33% of the yearly heating bill. As of December 30, 1983, 7,200 PGW customers had spent more than 2.9 million dollars to install 10,500 weatherization measures in their homes.

CF-2 Solar & Energy Conservation Bank Program (Federal Sponsored)

As a result of the program started in November, 1983, approximately 2,500 low and moderate income borrowers under the "Winter-Wise" Program will also receive a "half-price" loan discount. The Philadelphia Gas Works was invovled in the discussions leading to Pennsylvania's proposal

to the Federal Department of Housing and Urban Development, which allocated the state $2 million of bank funds. PGW was then awarded a contract by the state for $772,500 to provide reduced weatherization loans in the City of Philadelphia. The program will run to September 30, 1984.

Winter-Wise improvements (roof insulation, vent dampers and clock thermostats) are provided to low and moderate income households. The program is marketed on a person-to-person basis by the sales staff of the Philadelphia Jobs In Energy Project (PJIEP), a community-based, non-profit organization. The special financing features of this program include:

- Zero interest loans plus
- 50% reduction in the principal and
- 5 years to repay

CF-3 Zero Interest Loans (City Sponsored)

The City Council and the City Administration allocated $1,000,000 of federal Community Development Block Grant funds for the creation of a 0% Conservation Loan Fund, to be administered by the Philadelphia Gas Works. This version of PGW's "Winter-Wise" Program, started April 1, 1983, is aimed at lower income households regardless of their heating source. Conservation measures include roofing insulation for all heating customers, while gas customers also receive vent dampers and clock thermostats. Those receiving roof insulation will also receive a free anti-infiltration package.

While lower income households are understandably reluctant to borrow, it is hoped that the program's very attractive repayment terms coupled with face-to-face marketing efforts by neighbors will generate up to 1,000 loans under this program. Over 700 units had been completed by the end of January 1984, with 300 more expected to be finalized by June 30. The program is also marketed on a person-to-person basis by the sales staff of the Philadelphia Jobs In Energy Project (PJIEP). Financing features include:

- Zero interest loans plus
- Gas customers on budget billing receive immediate monthly budget reduction of $10 and
- Maximum monthly payment of $10 on all loans, regardless of size

CF-4 Scattered Site Public Housing Weatherization (City Sponsored)

In January of 1983, the City Council and City Administration allocated $1,000,000 of federal Community Development Block Grant funds for the complete weatherization of 1,390 "scattered site" public housing units. Scattered site tenants, numbering almost 7,200 in

Philadelphia, receive a utility allowance from the Housing Authority and pay their own utility bills. Priority under this program has been given to households with the highest bills.

The Philadelphia Gas Works administered this program on a contract for services basis with the City's Office of Housing and Community Development. Community-based, non-profit organizations acted as subcontractors for the anti-infiltration work. PGW employees installed 75° maximum thermostats and vent dampers.

A new contract to weatherize an additional 1,000 units is scheduled to be finalized by early March, 1984. The "Winter-Wise" approach will be used exclusively in weatherizing this next group of scattered site residents. The Philadelphia Housing Authority will be responsible for repairs associated with air infiltration problems.

CONSERVATION EDUCATION

Conservation education is recognized as a key component of PGW's energy assistance efforts for its needy gas customers. The Company's educational programs are often presented in tandem with its Winter-Wise and anti-infiltration initiatives. This combination of conservation improvements and educational measures will continue to be emphasized in PGW's future residential conservation programming.

CE-1 Home Energy Workshops

PGW's Home Energy Workshop Program offers free low cost/no cost energy conservation workshops to individuals or groups who wish to attend. The goal of this program is to educate people on how to reduce their home's energy use without any significant expense or special assistance. These workshops have been developed through a co-sponsoring relationship with three neighborhood based institutions where 36 neighborhood volunteers have been trained as workshop instructors.

In addition to 3 fixed site workshops located at the Philadelphia Center for Older People in South Philadelphia, the Berean Presbyterian Church in North Philadelphia and the Frankford Hospital in northeast Philadelphia, PGW also has a Mobile Home Energy Workshop unit available. The Mobile Unit is used to carry the workshop to areas of the city to residents who cannot reach our existing workshops.

Last year, PGW was joined by Philadelphia Electric Company (PECO) in beginning two new Home Energy Workshops: White Rock Baptist Church, 53rd and Chestnut Streets and the Philipian Activity Center, Ogontz Avenue and Grange Street.

CE-2 Residential Conservation Service (RCS) Audit

PGW's RCS Audit Program offers a comprehensive computerized home energy audit to any residential customer in Philadelphia. The audit tells the customer the most cost effective measures

for conserving energy in their home. It tells them how much they could expect to save and what their pay-back would be for their investment. This service, mandated by the National Energy Conservation Plan Act, is available to customers for the fee of $15. Since this program began in June, 1980, PGW has completed 2,200 audits.

CE-3 Low Cost/No Cost Energy Conservation Installation & Education Program

PGW's Low Cost/No Cost Energy Conservation and Education Program--a unique community based, anti-infiltration program -- is designed to reach Philadelphians who have inadequate financial capacity to cut their utility bills. The program provides contract funding to nineteen (19) community based, non-profit organizations for the purpose of reducing unnecessary energy consumption by low-income and elderly homeowners and tenants. Priority is given to households that have received assistance from the Utility Emergency Services Fund (UESF) and to recipients of benefits under the federally funded Low-Income Home Energy Assistance Program.

Conservation measures that are installed include caulking, weatherstripping, reusable plastic storm window kits, automatic water heater insulation jackets, door sweeps, and furnace filters. The work to be done is determined by a simple audit. All work is inspected by PGW.

A key feature of the program is a one hour education program in which each household must participate in order to receive free weatherization measures. The content of the program was designed by community organizations, PGW's Energy Management Office, and a local minority communications firm. The educational materials discuss habit changes that can yield substantial energy savings, the proper use and care of inexpensive conservation measures that are provided by the program and other assistance programs that may be of benefit to the customer. The education program may be conducted on a one-to-one basis in the home, in small group "house warmings" or at a community meeting.

Both the measures and education components continue to have the potential of saving 15% per household or about $150/year in energy consumption per household. The program now costs $135 per household.

Through this program, 4,900 homes were completed in 1983 and an additional 7,000 homes are scheduled for completion by August 1, 1984.

The structure and substance of this program are indicative of those conservation strides to be made at the "grass-roots" or neighborhood level. The future of many PGW residential conservation marketing and education activities will depend significantly on neighborhood-based approaches.

CONSERVATION MARKETING

Conservation marketing continues to take on added significance at the Philadelphia Gas Works. This function underscores the need for "market penetration" or acceptance of energy conservation programs for needy gas customers, while also promoting efficient, gas-utilization options for all gas customers. PGW's marketing strategy will continue to have a vital place for cost-effective, energy conservation ideas...especially tailored to the spec'al needs of its gas customers. The success experienced in the re idential energy conservation front will invariably "spill over" into the other customer sectors.

In summary, the emphasis will be placed on:

- Marketing vs Research & Development
- Residential energy conservation programs for low income gas customers
- Efficient, gas-based options for all customers
- Decentralized, community-oriented marketing approaches

This overall conservation marketing theme will continue to be assessed, as the corresponding energy conservation programs are evaluated and refined to meet the demands of the Philadelphia marketplace. Such is the case with the following activities:

CM-1 Solar Assisted Gas Water Heater Program

PGW is presently conducting a year long test to select cost effective and reliable solar-assisted gas water heater systems suitable for installation in customers' homes.

Three sites were chosen to test PGW's Solar-Assisted Gas Water Heater Program. This solar demonstration is a prime example of exploring all alternatives for increasing energy efficiency in Philadelphia households. An analysis of the test performance is currently being completed by Charles Burnette Associates, and should be available by mid-year 1984.

It is estimated that savings from these three systems could be 40% or more of a customer's water heating bill. With existing federal tax credits, the payback for these systems, depending on the actual savings, ranges from 6 to 10 years.

CM-2 Independent Evaluation of PGW Conservation Programs

A funding package of more than $100,000 has been put together for an independent evaluation of the key conservation programs now underway at PGW. The funds have been provided by the City of Philadelphia's Office of Housing and Community Development, the Pennsylvania Governor's Energy Council and PGW. Principal issues to be addressed include institutional performance, motivation for individual behavior, and a cost/benefit analysis of programs. This impartial review and analysis of PGW's conservation program should be available by the fall of 1984.

ITEM 8

CITY OF PHILADELPHIA
COMMISSION ON SERVICES TO THE AGING
1317 Filbert Street Suite 1002-1003 Philadelphia, Pa. 19107
MU 6-3504-05

W. WILSON GOODE
Mayor

DR. FRANCIS A. SHEARER
Chairman
ARTHUR J. OCINSKI
Executive Director

March 8, 1984

Hon. John Heinz, Chairman
U.S. Senate Special Committee on Aging
G-233 Dirksen Building
Washington, D.C. 20510

Dear Senator Heinz:

The Mayor's Commission on Services to the Aging is pleased to submit written testimony on S.1953 to the Special Committee on Aging.

The Mayor's Commission on Services to the Aging was created by an act of the City Council of Philadelphia in 1968. In carrying out its powers and duties to respond to the problems of senior citizens, we are confronted daily with the consequences of rising energy prices on the City's elderly.

The 1980 census revealed that 237,370 people or 14% of our city's population is now 65 years of age or older. Approximately 70% of the elderly in Philadelphia, as well as nationally, are homeowners. The majority are living on low, fixed incomes. We estimate that at least 30,000 or 20% of elderly households are living at poverty or below in Philadelphia and another 18,500 households or 33% are living at near poverty.

For the past four years the Philadelphia Corporation for Aging, the state designated Area Agency on Aging for our county, has been operating a home repair program for the elderly. As part of this project, P.C.A. has collected information on household income and the costs of homeowning. The data reveal that many elderly are now paying up to half of their incomes on housing expenses. The lion's share goes toward payment of utility bills.

In Philadelphia 69% of the residential properties are heated by gas. Prices for natural gas, as well as fuel oil, have increased 99% just since 1980. Social Security,the main source of income for most elderly, has increased only by half this much. As aresult, pressures on the already strained budgets of lower and moderate income elderly have increased enormously in the past few years.

Annual gas bills for the average row house are now about $945.00. People who live in larger houses, of course, pay more. The cost for most lower income elderly is not spread proportionally throughout the year: bills are much higher during the coldest winter months. Our office has received calls from senior citizens who are trying to pay gas bills of $100 to $150 out of SSI incomes of $297 a month. Low income energy assistance grants at current federal funding levels pay at most 25-30% of a household's fuel expenses for a year. In these circumstances, other necessities such as food and medicine are being sacrificed to pay for heating.

The P.C.A. inspections have also documented that most elderly live in very old energy inefficient housing stock. The majority of the houses worked on were built more than 50 years ago and are very drafty. Work crews did a lot of low cost weatherization in an attempt to reduce fuel costs for these clients. However, this modest program, which completed 750 houses, is barely a drop in the bucket.

Furthermore, publically funded energy conservation programs are presently inadequate to meet the need. It has been estimated that at least 175,000 houses in Philadelphia occupied by lower income persons need weatherization. Since 1976 the Department of Energy Weatherization Program has been able to reach approximately 15,000 houses, just a beginning.

For the past 6 months the Mayor's Commission on Aging has participated in the Philadelphia Energy and Poverty Task Force, a broad-based organization convened to increase public understanding of the "home heating problem" and to assist in the development of appropriate programs and approaches toward its solution in Philadelphia.

The Task Force recently published its Report on the Home Heating Needs of Low Income Households in Philadelphia: Dimensions of a Persistent Problem. This was a pioneering effort to develop a working estimate of the gap between low-income household resources (both income and energy assistance funds) and the cost of home heat in one large city. We understand that the Task Force Report is being submitted to the Special Committee.

The Commission commends the Report to the Committee, particularly its recommendation that:

> The federal government ... commit and then provide funds to weatherize every low-income household by the end of the decade, with envelope tightening measures that can reduce consumption by 20% and furnace efficiency measures that can reduce consumption by additional 20%. These weatherization measures should be accompanied by conservation education efforts that can yield even further significant energy savings.

The Commission supports S.1953, which is a large step in this direction

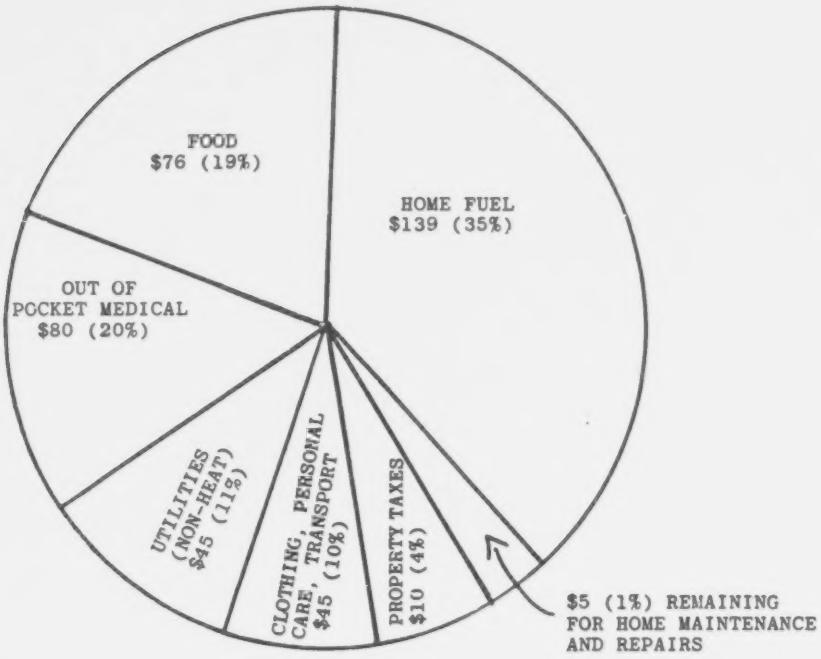
Sincerely yours,

Mary W. Hurtig

Mary W. Hurtig
Administrative Assistant

MWH/ecl

BUDGET OF AN ELDERLY PHILADELPHIAN
LIVING ALONE ON
$400 A MONTH



Assumes:

1. Mortgage is paid in full
2. Person is not chronically ill

Sources:

Home Fuel - National Consumer Law Center, "Out in the Cold"
Food - U.S.D.A. 5/82
Medical - Developments in Aging, 1982
Utilities - estimated, (includes senior citizen water discount)
Clothing, Personal Care - B.L.S. 9/81
Property Taxes - PA Department of Revenue (includes discount)

Prepared by: Don Kligerman
Philadelphia Corporation for Aging
May 1983

ITEM 9

NORTHEAST-MIDWEST SENATE COALITION

United States Senate

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Arlen Specter

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TESTIMONY OF

THE HONORABLE CARL LEVIN

on behalf of the

NORTHEAST-MIDWEST SENATE COALITION

before the

SPECIAL COMMITTEE ON AGING

hearing on

ENERGY AND THE AGED:

STRATEGIES FOR IMPROVING THE FEDERAL

WEATHERIZATION PROGRAM

March 2, 1984

316 Hart Senate Building, Washington, D.C. 20510 • (202) 224-2854

Mr. Chairman and Members of the Special Committee on Aging:

It is a privilege to be able to offer testimony to you on the Chairman's bill, S. 1953, the "Weatherization Act of 1983." I am testifying today on behalf of the Northeast-Midwest Senate Coalition, which consists of the 38 Senators representing the 19 states in the Northeast and Midwest, running from Maine to Maryland and Minnesota to Missouri.

The federal weatherization program is of great importance to all the States in the Coalition with our older housing stock and colder weather. Of the more than one million households weatherized under this program since its inception, 60 percent have been in the Northeast-Midwest region. In fiscal year 1983 alone, 100,000 units were weatherized in our region. Relying on this program, my state of Michigan weatherized over 18,000 needy homes in 1983 bringing its total to date to 66,000 low-income residences, over two-fifths of which are inhabited by the elderly.

Although our region is rich in coal and alternative energy sources, the Northeast-Midwest Senate Coalition believes that our region's best tool for dealing with energy supply problems is its conservation potential. The federal weatherization program has made a significant start in helping to maximize that conservation resource. As a result of savings in energy there have been significant savings in dollars. Those dollar savings have been of critical importance to our low-income residents who have benefited from this program. For no one is this more true than the low-income elderly citizens in the Northeast-Midwest region who rely on the program not only to save money but to increase their comfort and safety.

Substantial benefits have been realized to date from this program, but we still need to improve the energy efficiency of the housing stock in our region. As shown in Attachment 1, 37.3 percent of our housing units were built in 1939 or earlier, as compared with 17.2 percent in the rest of the country. Many older Americans live in these older homes. According to present-day standards, houses built more than 15 or 20 years ago are seriously underinsulated and energy inefficient. In addition, their heating plants -- furnaces, boilers, and hot water heaters -- are often antiquated and uneconomical. These factors make them terribly expensive to heat.

Households in our region consume more energy than households in the rest of the country. As shown in Attachment 2, sixteen Northeast-Midwest states rank among the top twenty states with the highest household energy costs in the Nation. According to the Bureau of the Census, the North Central region consumed the most energy per household in the country between 1965 and 1981, consuming about one-third more than the national average. The Northeast was second in consumption per household, followed by the South and West. Each year a household in the highest-consuming region used, on average, between 55 and 75 percent more energy than a household in the lowest-consuming region.

Because of our region's continuing need for the federal weatherization program we believe strongly that the program needs the assurance of a multiple-year authorization, as proposed in S. 1953, to provide a consistent and stable source of funding. This will allow our States to plan their weatherization activities in a timely and efficient manner as well as to minimize the disruptive hire-and-fire cycle of each successive budget cycle. Furthermore, we

commend the Chairman for taking inflation into consideration in designing S. 1953's authorization levels. The total level and stability of funding is the most important concern to a successful weatherization program.

We strongly oppose financing the program with oil overcharge funds, as suggested by the Administration. Although the Administration assures us that funds will be appropriated from general revenues if the oil overcharge funds are insufficient, this does not address the shortcomings of their proposal. First and foremost, we believe that substituting oil overcharge funds for funds appropriated from the Treasury is inequitable: oil overcharge funds are intended to restitute aggrieved consumers, not reduce the federal commitment for weatherization. Second, the oil overcharge funds are not a reliable source of funding. These funds have by and large been tied up by extended litigation and may not prove to be available when they are needed. We should not create a financing mechanism that can result in serious underfunding of such an important program.

Even though we see a great need for the weatherization program, we do not consider it perfect. We are pleased to see those provisions of your bill, Mr. Chairman, designed to improve the administration of the program by giving the States greater flexibility to design solutions to their unique problems and to allocate expenditures in a more efficient manner than is permissible under current law.

We are also pleased by the provisions allowing the training of residents and work personnel which allows the program to make a lasting impact on local economic development. Unlike some forms of assistance for the aged, the federal weatherization program results in direct job creation. A recent study, commisioned by the Department of Energy, analysed 580 homes in the Midwest and Northeast and concluded that the federal weatherization program generated jobs at a cost of about $19,000 each. Using this rate of job creation, we estimate that in 1983 the program yielded over 5,000 needed jobs in the Northeast-Midwest region.

We also support the provisions allowing the replacement or retrofit of furnaces and boilers and removing the $150 limit on repairs. We support the removal of the $150 limit because some houses are in such bad shape that it would be a waste of funds to attempt to weatherize them without first repairing their building shell. Within prudent overall limits, as proposed in S. 1953, we believe it should be permissible to spend more than $150 to repair such dwellings. This is especially likely to be necessary with respect to older houses, of which our region has so many. In such cases saving the house is as much a conservation measure as weatherization itself, because energy has been invested in the construction of the house. Permitting it to deteriorate would waste this investment originally made in the house. Saving these older homes also will allow aged Americans the benefit of having their homesteads restored to habitable condition.

Testimony given earlier before this Committee by Leslie Post, the Energy Assistance Program Director for the State of Minnesota showed that the most cost effective improvement can be increasing the efficiency of a home's heating plant. According to her testimony, each dollar spent on an oil furnace retrofit produces 55 cents in fuel savings to the low-income recipient in the first year alone. According to that study, the payback period for an oil burner retrofit is 1.8 years. This means that the money spent in making the improve-

ment can be recovered in savings on fuel bills in less than two years. We consider that an extraordinarily good investment, and so we support the provision of S. 1953 allowing the replacement or retrofit of furnaces and boilers.

We would like to emphasize the point that expenditures made under the weatherization program are investments with a return, not annually recurring expenses. Another witness before this committee has testified that weatherization improvements are designed to last 20 years. This means that the weatherization expenditures we make this year will be producing benefits for the next 20 years. The State of Michigan's program permanently lowers energy use in weatherized households by 20-30 percent.

Unfortunately, there are 13 million homes that are eligible for and in need of weatherization assistance. At the current rate of expenditures it would take 50 years to improve all of them. Mr. Chairman, we would like to suggest that it might be desirable to increase the rate of expenditures on weatherization so as to shorten that time period. It would be one of the best energy investments we could possibly make.

ATTACHMENT 1

HOUSING

Region and State	Housing Units Built 1939 or Earlier	Total Housing Units	Percentage Built 1939 or Earlier
NEW ENGLAND			
Connecticut	376,344	1,147,075	32.8
Maine	203,098	429,341	47.3
Massachusetts	997,061	2,136,870	46.7
New Hampshire	140,584	344,908	40.8
Rhode Island	156,904	362,808	43.2
Vermont	91,670	194,063	47.2
Total or Average	1,965,661	4,615,065	42.6
MID-ATLANTIC			
Delaware	48,974	232,908	21.0
Maryland	377,451	1,550,538	24.3
New Jersey	931,980	2,678,876	34.8
New York	3,002,573	6,683,103	44.9
Pennsylvania	2,007,948	4,492,156	44.7
Total or Average	6,368,926	15,637,581	40.7
MIDWEST			
Illinois	1,450,824	4,298,107	33.8
Indiana	661,413	2,059,024	32.1
Iowa	489,837	1,128,786	43.4
Michigan	983,538	3,457,022	28.5
Minnesota	498,450	1,533,725	32.5
Ohio	1,337,099	4,091,744	32.7
Wisconsin	619,474	1,749,761	35.4
Total or Average	6,040,635	18,318,169	33.0
SOUTH			
Alabama	245,961	1,449,441	17.0
Arkansas	146,291	890,143	16.4
District of Columbia	109,112	276,849	39.4
Florida	304,307	4,282,945	7.1
Georgia	342,764	2,013,595	17.0
Kentucky	305,609	1,353,656	22.6
Louisiana	240,973	1,530,949	15.7
Mississippi	145,738	903,861	16.1
North Carolina	383,260	2,238,182	17.1
Oklahoma	275,023	1,234,698	22.3
South Carolina	173,473	1,133,484	15.3
Tennessee	279,843	1,735,456	16.1
Texas	678,797	5,505,016	12.3
Virginia	332,835	2,007,833	16.6
West Virginia	252,477	734,166	34.4
Total or Average	4,215,863	27,290,274	15.4

HOUSING (continued)

Region and State	Housing Units Built 1939 or Earlier	Total Housing Units	Percentage Built 1939 or Earlier
WEST			
Alaska	7,065	152,898	4.6
Arizona	63,402	1,079,878	5.9
California	1,410,014	9,206,826	15.3
Colorado	217,346	1,176,309	18.5
Hawaii	33,224	333,568	10.0
Idaho	81,147	356,432	22.8
Kansas	324,068	951,054	34.1
Missouri	580,901	1,965,074	29.6
Montana	89,058	316,870	28.1
Nebraska	247,895	621,502	39.9
Nevada	20,984	338,155	6.2
New Mexico	61,371	495,130	12.4
North Dakota	89,177	252,434	35.3
Oregon	244,228	1,071,239	22.8
South Dakota	109,814	269,322	40.8
Utah	92,056	481,701	19.1
Washington	360,635	1,657,556	21.8
Wyoming	43,547	182,352	23.9
Total or Average	4,075,932	20,908,300	19.5
NORTHEAST	8,334,587	20,252,646	41.2
MIDWEST	6,040,635	18,318,169	33.0
NORTHEAST AND MIDWEST	14,375,222	38,570,815	37.3
SOUTH	4,215,863	27,290,274	15.4
WEST	4,075,932	20,908,300	19.5
SOUTH AND WEST	8,291,795	48,198,574	17.2
U.S. TOTAL	22,667,017	86,769,389	26.1

ATTACHMENT 2

AVERAGE HOUSEHOLD ENERGY COSTS: 1970 AND 1980
(in dollars)

Region and State	1970	1980
NEW ENGLAND		
Connecticut	373	1,255
Maine	441	1,272
Massachusetts	442	1,174
New Hampshire	489	1,196
Rhode Island	406	1,098
Vermont	528	1,278
Regional Average	427	1,203
MID-ATLANTIC		
Delaware	395	1,161
Maryland	311	963
New Jersey	393	1,223
New York	307	933
Pennsylvania	331	1,039
Regional Average	330	1,019
MIDWEST		
Illinois	354	985
Indiana	367	965
Iowa	371	1,011
Michigan	353	971
Minnesota	391	867
Ohio	326	979
Wisconsin	377	992
Regional Average	355	971
SOUTH		
Alabama	282	848
Arkansas	321	911
District of Columbia	279	903
Florida	276	793
Georgia	258	762
Kentucky	271	796
Louisiana	282	737
Mississippi	307	863
North Carolina	317	856
Oklahoma	337	800
South Carolina	300	810
Tennessee	237	751
Texas	295	818
Virginia	317	985
West Virginia	246	808
Regional Average	288	821

AVERAGE HOUSEHOLD ENERGY COSTS: 1970 AND 1980
(in dollars)

Region and State	1970	1980
WEST		
Alaska	483	890
Arizona	270	779
California	209	593
Colorado	272	692
Hawaii	204	604
Idaho	285	696
Kansas	316	810
Missouri	321	961
Montana	306	696
Nebraska	354	816
Nevada	301	839
New Mexico	261	646
North Dakota	362	991
Oregon	267	635
South Dakota	385	958
Utah	294	789
Washington	247	512
Wyoming	348	630
Regional Average	256	679
NORTHEAST	351	1,061
MIDWEST	355	971
NORTHEAST AND MIDWEST	353	1,019
SOUTH	288	821
WEST	256	679
SOUTH AND WEST	274	759
U.S. WEIGHTED AVERAGE	313	876

ITEM 10

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RECOMMENDATIONS FOR IMPROVING THE EFFECTIVENESS

OF FEDERAL LOW INCOME WEATHERIZATION AND

ENERGY ASSISTANCE PROGRAMS

I. THE ALLIANCE TO SAVE ENERGY

A. Organization and Objectives

The Alliance to Save Energy (ASE), founded in 1977 by Senators Charles H. Percy and Hubert H. Humphrey, is a non-profit tax-exempt coalition of business, government, public interest and labor representatives dedicated to increasing the efficiency of energy use. To accomplish this goal, the Alliance conducts an integrated program in four areas - research, demonstration project, public education and policy advocacy. On March 11, 1983 Senator John Heinz became Chairman of the Alliance's Board of Directors, and Senator Charles Percy and Carla Hills were elected as co-chairmen.

B. Low Income Assistance Projects

The Alliance has developed a number of programs to promote energy efficiency in the residential, commercial, industrial, and utility sectors. In an era of rising energy prices, the special problems of low income individuals are of particular concern to the Alliance. Over the past three years, the Alliance has been active in technical innovation in low income conservation programs.

The Alliance's most recent technical program in the area of low income conservation has been in assisting 7 states and the District of Columbia to establish pilot oil furnace retrofit programs for the poor. The Alliance, in

conjunction with the Institute for Human Development (IHD), trained over 500 administrators and heating contractors to establish and operate these 8 retrofit programs. Under these programs, over 10,000 heating system retrofits are being installed the first year. The Alliance was supported by the Ford Foundation in this project and served as the catalyst without which the programs would not have occurred. The Alliance's low income work is also supported by the Rockefeller Family Fund.

The pilot programs were established to prove the feasibility of conducting the program under differing circumstances in each state, to identify modifications which should be made in program design before expanding to statewide programs and to train a group of administrators and heating contractors who would serve as the core of expanded retrofit programs following the pilots. The states are Delaware, Illinois, Maine, Minnesota, Pennsylvania, South Dakota, and Wisconsin as well as the District of Columbia.

The Alliance is currently working with several of the 8 state retrofit programs to conduct a comprehensive evaluation of the costs and energy savings resulting from their 1983 pilot programs and to plan for the expansion of the programs in the spring.

While those evaluations are not yet complete, preliminary analysis of the data shows that these programs are among the most cost effective large scale conservation programs developed to date. For example, in Minnesota, among the best managed of the state programs, analysis of 171 representative retrofits reveals the following:

Average cost of retrofit ($500 for retrofit installation plus $65 for state and local administrative costs)	$565
Average efficiency of furnace before retrofit	67.4%
Average efficiency of furnace after retrofit	82.4%
Average reduction in fuel oil consumption	26.2%
Annual Cost of fuel saved	$314

After being retrofitted, the furnaces and boilers modified under this program are more efficient than most new oil fired heating equipment produced today. Two years ago, if you had asked knowledgeable persons in the fuel oil industry if it were possible to raise the efficiency of over 95% of the heating systems in low income homes to a level of 80% or more, the answer would have been that it is absolutely impossible to accomplish this level of efficiency without total replacement of the heating systems. Today as a result of this program, the industry in at least 8 states has accepted 80% as an attainable standard. Thus, this program has substantially raised industry standards of performance in this area to the benefit of all consumers.

II. BACKGROUND:

When the Federal Weatherization Program was established the

conventional wisdom was that the installation of storm windows, attic insulation, caulking, and weatherstripping was the most cost effective means to reduce energy consumption in low income homes.

Today it is apparent that a number of other conservation measures (primarily those which deal with retrofitting the central heating system) are 3 to 4 times more cost effective than those traditional weatherization measures which are now being installed under state LIHEAP and weatherization programs.

A. Oil Heated Homes

For example, the costs and savings associated with oil furnace retrofits have been thoroughly documented by the Alliance, DOE, the National Bureau of Standards (NBS), Brookhaven National Lab, and others. Studies conducted by the Alliance and Philadelphia's Institute for Human Development have documented average savings of 22 to 26% as a direct result of over seven thousand retrofits performed in several states under programs established with Alliance assistance. Our figures are in agreement with the studies conducted by the other organizations mentioned above. These savings are above those due to marketplace induced conservation which occurred in matched control groups.

B. Gas Heated Homes

Retrofits with similar economics (20 to 30% savings at $500 to $600 cost) are available for gas heating systems. The equipment for gas retrofits is much newer than for oil and there is no extensive documentation at this

point on costs and savings. Several gas retrofit options are available, have the required AGA and/or UL certifications and have been tested to a limited degree and shown to have merit. These gas retrofit options are described in an attachment.

C. Present Weatherization & LIHEAP Programs

On the other hand, the costs and benefits of the conservation measures installed under the DOE Weatherization Program have not been well documented. However, studies performed by several states, NBS, and the national laboratories indicate that average savings in the range of 13 to 17% can be expected as a result of traditional weatherization measures which cost $1,000 to $1,600 per home.

III. DEVELOPMENT OF HEATING SYSTEM RETROFITS AS A COMPLIMENT TO BUILDING SHELL WEATHERIZATION MEASURES

Wayne Gathers of the Alliance and Frank Kensill of Philadelphia's Institute for Human Development have been involved in the weatherization program since its beginning. In the late 1970s they recognized that there might be a potential for achieving substantial energy savings through working on the heating system as well as on improving the thermal properties of the building shell. A brief history of several projects which Wayne and Frank have completed and which have led to today's briefing follows:

- The first effort was designed to determine if a simple cleanout, tuneup, and reduction of nozzle size which

1977 could be performed for $75 would achieve significant savings. Results of performing these measures in 82 low income senior citizen's homes around Harrisburg, PA were disappointing; only 2 to 3% reduction in oil consumption was achieved.

- 1978-79 Next, 50 oil-fired heating systems in Philadelphia were retrofitted with both new flame retention head burners and with a rebuilt conventional burner modified to perform like a retention burner. In addition, electrically operated vent dampers were added to some heating systems and improper initial installations were corrected. The average savings resulting from this retrofit program were 23% and the average cost of the installations was about $450.

- 1980-81 Next, a project was designed to develop the techniques and prove the feasibility of having non-technical personnel (such as staff of typical CAAs or energy assistance programs) establish and manage large scale conservation programs which included heating system retrofits. Under this DOE sponsored Philadelphia Retrofit Program 200 heating systems in the homes of the poor were retrofitted by 31 local fuel oil dealers with new flame retention burners at a cost of $500 each. Average savings resulting from these retrofits were just over 20%. An administratively simple program design which could be widely replicated was developed.

- 1982 With support from the Ford Foundation, the Alliance and IHD then assisted 7 states and the District of Columbia to establish pilot oil furnace retrofit programs funded through the conservation set aside under HHS' LIHEAP program. Under those programs over 7,000 retrofits have been performed to date at a cost of $500 each. Average savings are 22% or higher in every state.

- 1982 Meanwhile IHD, responding to a crisis situation in Philadelphia, developed a package of "warm room" equipment and techniques which allows a recipient to vary the amount of space which is heated in order to regain control of his heating bills. Initial data on 183 installations in Philadelphia and 14 in Minnesota indicates savings of about 40% at an installed cost of $380 per home.

- Recently, two highly cost effective conservation measures for retrofitting gas heating systems have come to the attention of the Alliance and IHD. While both retrofits have been in existence for several years and they do have the required AGA or UL certi-

1983 fications, they are not widely known and have not yet attained commercial success. The installation of either a new type of power gas burner for gas boilers, or of a secondary condensing heat exchanger for any furnace (regardless of fuel) will result in average energy savings of 25%. Either piece of equipment can be installed for $600 or less.

IV. WHY IS HEATING SYSTEM RETROFIT AN ATTRACTIVE MEASURE FOR WEATHERIZATION AND LIHEAP FUNDED CONSERVATION PROGRAMS?

A. More Cost Effective

Experience based on several thousand building shell weatherization completions indicates that in every house there are very cost effective measures which can be performed on the building shell. For example, it is almost always cost effective to install attic insulation in a previously uninsulated home. This is true for replacing or repairing missing or broken glazing, several other air infiltration measures, etc. However, in many homes the point of diminishing returns is quickly reached with conventional weatherization measures. At this point, the next savings are best achieved by working on the heating system.

The economics of working on the heating system are compelling. As Table 1 shows, heating system retrofit is more cost effective by a factor of about 4 than building shell weatherization. The reason for this is simply that retrofitting the heating system is a much more compact and thus less expensive job to undertake. Many of the terms used for weatherization (eg. reducing air infiltration) also apply to the heating system. For example, with both oil and gas heating systems, when a new more efficient burner is

TABLE 1

A COMPARISON OF THE ECONOMICS OF TWO
WEATHERIZATION MEASURES: HEATING
SYSTEM RETROFIT AND BUILDING SHELL WEATHERIZATION

I. Based on National Bureau of Standards Data

	Heating System Retrofit (oil & gas)	Building Shell Weatherization (oil & gas)
Average Cost	$526	$1,336
Average Savings	29% $348*	17% $204*
Savings to Costs Ratio	.66	.15

The above data are from NBS' Optimal Weatherization of Low Income Housing in the U.S.: A Research Demonstration Project. A summary of this report is attached.

CONCLUSION: HEATING SYSTEM RETROFIT IS OVER 4 TIMES MORE COST EFFECTIVE.

II. Based on Data from Minnesota Energy Agency and Weatherization Program

	Heating System Retrofit (oil only)	Building Shell Weatherization (oil & gas)
Average Cost	$565	$1,068
Average Savings	26.2% $314*	13.43% $161*
Savings to Costs Ratio	.56	.15

The above data are from Evaluation of the Federal Weatherization Assistance Program in Minnesota, and Evaluation of Minnesota's Pilot Oil Furnace Retrofit Program. Summaries of both evaluation reports are attached.

CONCLUSION: HEATING SYSTEM RETROFIT IS ABOUT 4 TIMES MORE COST EFFECTIVE.

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* Based on an average before retrofit fuel consumption of 1,000 gallons of oil at $1.20 per gallon. Dollar savings would be somewhat lower for a gas heated home at today's fuel prices.

installed, one of the major increases in efficiency occurs through using substantially less air for combustion. For oil, the amount of air can be reduced by a factor of 3; for gas by a factor of 5. Since all the heated air which exits from the chimney must be immediately replaced with cold outside air, installing a new burner which uses less air substantially reduces the air infiltration of the entire structure.

A major advantage of working on the heating system is that the costs of retrofitting a heating system are largely independent of the condition of the heating system before retrofit.

The large cost advantage is inherent in heating system retrofit because in the retrofit process the major moving parts of the unit are replaced. Thus, their initial condition has little impact on the cost of their replacement. Experience with building shell weatherization indicates that just the opposite is true for the more traditional weatherization measures. The more leaky a house the more difficult and expensive it is to correct those leaks. The law of diminishing returns is a very real constraint which acts to reduce the overall benefits to costs ratio obtained by adding more extensive and expensive weatherization measures to the building shell.

B. Simple to Administer

In addition to superior economics heating system retrofit programs can be structured to make them administratively simple. The programs can be

operated by typical weatherization personnel who have little or no prior background in heating systems. Private contractors perform the retrofits. The role of the weatherization worker is to identify inefficient heating systems, prescribe the results which a contractor is to achieve, contract for the work, and verify that the desired results have been achieved before paying for the work. For the oil retrofit program, over 100 program monitors were trained in one day sessions to manage local retrofit programs.

An absolutely crucial feature to keep these programs administratively simple is the concept of using a negotiated professional fee for services rather than attempting to bid out each individual retrofit job for the lowest price. For each oil retrofit, for example, $500 is paid to the contractor when he achieves an efficiency level of 80%. $500 is paid regardless of the costs of the job to the contractor and if necessary the contractor is sent back to the job if the results are not achieved the first time. Besides keeping the programs administratively simple, the professional fee concept transfers liability for the work to the contractor since the state or local agency specifies only that the contractor is to achieve a certain efficiency level and leaves the equipment and techniques to be used to the contractor's discretion. On the other hand if the state specifies the equipment, the contractor is acting as an agent for the state and the state can be held responsible for his actions.

In addition, using a negotiated professional fee establishes a very positive relationship between participating contractors and the local agencies. In each state pilot program there is a strong spirit of cooperative effort to achieve a common goal between participating contractors and local

program operators. In addition to showing respect for the professional judgment of the contractor, paying a reasonable price for the work allows the contractor to put forth the extra effort to achieve the highest efficiency possible with each retrofit. The average efficiency of retrofitted units in the 8 pilot retrofit programs is over 82% though the performance standard requires only 80%.

Using a performance standard allows the state to accurately calcualte in advance of each retrofit the savings which will result from the work.

C. Other Advantages of Heating System Retrofit

Since the first oil embargo, most gasoline and fuel oil dealers have not offered free service to their customers. Many of the poor cannot afford annual service contracts and the effects of lack of maintenance in the homes of the poor are starting to cause an alarming rate of failure of their heaters. When the heater fails, the plumbing often freezes and the house becomes uninhabitable. Since retrofit replaces most of the moving parts of the heating system it prevents this loss of the home due to failure of the heater.

In every state with a pilot low income retrofit program, participating private contractors quickly recognize that they can market the same retrofit to their middle income customers and they begin to do so. While we have not rigorously documented this middle class conservation spinoff, it is apparent that several middle class retrofits are being performed as a result of each low income retrofit.

Training weatherization workers on heating systems prepares them to enter the private sector in a field in which jobs are plentiful. A recent survey conducted by IHD of the 228 CETA workers who have worked in IHD's weatherization program at some point between 1977 and the present revealed that 71% of those persons are currently either employed or attending college. This is a much higher placement rate than that for most other CETA programs.

Heating system retrofit is a cost effective complement to both fuel assistance programs and to building shell weatherization efforts. Retrofits make LIHEAP money go farther and retrofits combined with certain building shell improvements make an extremely cost effective package.

V. WHY HASN'T HEATING SYSTEM RETROFIT BEEN INCORPORATED INTO FEDERAL LIHEAP AND WEATHERIZATION PROGRAMS?

Though gas retrofit equipment has been available for several years, its existence is not widely known and there is a common misconception that existing gas heating equipment cannot be retrofitted for higher efficiency.

Oil retrofit equipment has been in existence for more than 6 years and there is no reason that the poor shouldn't be benefitting from this technology today through the Federal programs designed to assist the poor.

However, Federal, state and local agencies which are not experienced in heating system work have a number of concerns regarding retrofit programs.

Safety and liability are genuine concerns of these government agencies.

All of the equipment installed under Alliance and IHD retrofit programs meets the required UL, AGA, ANSI, and other Federal standards. Thus a retrofitted heating system is just as safe as any new heating system which must meet the same standards. Most of the liability associated with heating system retrofits is transferred to private contractors when the negotiated professional fee for services is utilized. Fuel oil dealers and heating contractors assume the same responsibility on a daily basis for work performed for their middle class customers. In addition, states can require participating contractors to maintain specified amounts of liability insurance, and various professional licenses as a condition of participation in the state's retrofit program. The legal staffs of 7 states and the District of Columbia have reviewed the liability issue thoroughly and have concluded that the risks to the state of operating retrofit programs are minimal and reasonable.

Lack of technical expertise at the Federal, state, and local levels has often been cited as a reason to not implement retrofit programs. Only one day of technical training for program managers and 2 days of training for participating contractors were required for the 500 persons who participated in the 8 pilot retrofit programs. DOE should immediately acquire technical expertise on heating system retrofits and provide training and technical assistance on request to each of its state grantees.

VI. WHAT MUST BE DONE TO INCORPORATE HEATING SYSTEM RETROFIT MEASURES INTO THE FEDERAL PROGRAMS DESIGNED TO ASSIST THE POOR?

A. Regulatory Changes

Current DOE regulations require that all materials installed under the program meet a set of Federal standards which DOE publishes. For oil furnace retrofit this poses no problem since the oil burner retrofit equipment on the market today meets those standards. DOE has not published a standard for replacement gas burners or other retrofit equipment for gas heating systems. Standards for gas retrofit equipment have been developed by AGA, ANSI, and UL and they are widely accepted by industry and government. DOE must publish a standard before any gas retrofit equipment can be installed under the Weatherization Program.

In addition, Project Retro-Tech, DOE's energy audit for determining which weatherization measures are to be installed must be revised to consider heating system retrofit measures. Project Retro-Tech has outlived its usefulness and it has proved to be inaccurate and flawed in several serious ways. It predicts unrealistic savings as a result of air infiltration reduction and makes no prediction of the savings which result from heating system retrofit measures. A revised audit procedure would serve to increase the overall effectiveness of all measures installed under the program.

B. Training and Technical Assistance

The most essential element of expanding Federal energy assistance programs for the poor to include heating system retrofit measures is the provision of training and technical assistance to state Weatherization and LIHEAP grantees. The states do not have the expertise to establish and manage these programs without outside technical assistance. At present, neither DOE nor HHS has the expertise to assist states with these new program measures. Many of the states have expressed their desire to incorporate these measures into their low income programs. DOE should immediately acquire the expertise and begin a program of providing direct technical assistance upon request to both DOE weatherization grantees and to HHS' LIHEAP grantees who operate conservation programs for the poor.

ITEM 11

UTILITY EMERGENCY SERVICES FUND

March 8, 1984

The Hon. John H. Heinz,III
Chairman
U.S. Senate Select Committee
on the Aging
SD-G33
Washington, D.C. 20510

Dear Senator Heinz:

I am submitting written testimony on behalf of S. 1953 on behalf of the Philadelphia Energy and Poverty Task Force. In addition, I am submitting a copy of our report, The Home Heating Needs of Low Income Households in Philadelphia and its accompanying Policy Recommendations for the record. 1/

The Philadelphia Energy and Poverty Task Force is a broad-based coalition of business, community and religious leaders, representatives from fuel dealers, local utilities and City Government. The Task Force was organizaed out of concern for the thousands of low income Philadelphia families, many of whom are elderly, threatened with the loss pf their home heating.

We offer the attached testimony in support of S. 1953.

Thank you for your attention to this matter.

Sincerely,

Cheryl L. Weiss
Executive Director

1/ Retained in committee files.

Executive Office: 7 Penn Center, 12th floor, Philadelphia, PA 19103
215-561-4494

I am Cheryl Weiss, a resident of the City of Philadelphia. I am the Executive Director of the Utility Emergency Services Fund, a private, non-profit emergency fuel fund. Our primary purpose is to provide direct financial assistance to eligible low income households in the city who have lost or are about to lose their gas heat, electricity and/or water service for non-payment.

I present this testimony on S. 1953 on behalf of the Philadelphia Energy and Poverty Task Force, which is a broad-based coalition representatives from the business and religifous community, City Government, fuel dealers, utility companies, and community-based organizations. The Task Force, which organized out of concern for the thousands of low income Philadelphia families threatened with the loss of their home heating has a three-fold agenda:

1) it has published the first in-depth look, in any major urban area, at the specific dimensions of the home heating problem; The report, entitled The Home Heating Needs of Low Income Households in Philadelphia, is attached for your reveiw;

2) it has convened a wide range of technical experts and consumers to develop a rich pool of immediate as well as long term solutions to the home heating and utility shut-off issue;

3) it is now convening meetings with key policy makers at various levels of government, local utilities and conumer/community groups to act upon recommendations. Also attached is a set of Policy Recommendations.

It is of critical importance that energy conservation and weatherization efforts be supported as one approach to dealing with the problem of home heating and utility shut-offs.

Before addressing some specifics with regard to S. 1953, I would like to share with you the particular conditions in Philadelphia which have informed my testimony.

In its simplest terms, the home heating and utility shut-off problem is a product of two converging trends: fuel prices have been rising rapidly for several years, while, for a growing segment of the City's population, real income has been declining. In Philadelphia, a full twnety per cent of 125,000 households have incomes below the federal poverty level. The population of sub-groups which traditionally suffer from high rates of poverty--minorities, new immigrants, the elderly and female-headed households--has increased in weight within a shrinking total population from 1970. **24 per cent of poverty households in Philadelphia are headed by elderly persons.** Three-quarters of these either live alone, or with person(s) to whom they are not related. The other quarter have a spouse or a child living with them. The number of elderly has increased from 12 per cent to 14 per cent.

The cost of enrgy prices has risen dramatically over the last three to four years. The majority of Philadelphia's homes, approximately 69 per cent, are heated by natural gas supplied by the municipally-owned Philadelphia GAs Works. The cost of natural gas has increased 99 per cent over the last three years. The second most common residential heating source, fuel oil, has more than doubled in price per gallon in the last four year. On average, the annual cost for gas heat is about $850, and about $950 for oil heat.

A characteristic, which distinguishes Philadelphia from other major urban areas, is its high rate of homeownership. 66.1 per cent of all Whites own homes; 53.7 per cent of all Blacks own homes. The elderly are significant among homeowners. Homeowners must pay for heat, electricity and water service which on an average annual basis amounts to $1,600 to $1,700. The point is that many low income households including the elderly must contend with high utility costs compared to poverty-level incomes.

The rise in energy prices coupled with the poverty-level income of htousands in the city has resulted in burgeoning uncollectibles for the major utilities which threaten their solvency. Of more immediate consequence is the massive number of shut-offs which occur through the spring and fall. Last year, the three major city utilities--gas, electric, and water--terminated service at 50,000 households. With an exceptionally cold winter behind, it is anticipated that hsut-offs will escalate.

There are two basic approaches to dealing with the problem outlined above: some costs may be contained by conservation and weatherization measures, and/or poor households may be assisted to pay their bills through cash subsidies or credits to their accounts. Both approaches are utilized in Philadelphia.

We support S. 1953 for the following reasons. First, to the best of our knowledge, various weatherization technologies produce energy savings from 10 per cent to 35 per cent. It is evident that the days of inexpensive energy are gone. For poor households, energy costs take a larger and larger bite out of already streched budgets.

Second, there is evidence to suggest that conservation education yields high cost savings. We support the intent of S. 1953 to provide funding of education programs.

Third, S. 1953 broadens the range of weatherization treatments that may be funded.

Last , it is our hope that weatherization and energy conservation programs such as S. 1953 receive adequate funding.

Thank you for this opportunity to provide testimony.

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